Home Equity Conversion Mortgage (HECM)

Statement of Work (SOW)

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1. INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD), through its Office of Housing and the Federal Housing Administration (FHA), is seeking a Service Provider (SP) to provide a cost-effective web-based service that can support HUD's Home Equity Conversion Mortgage (HECM) Program, which is commonly known as the FHA reverse mortgage program.

- FHA will not compensate respondents for any costs or expenses incurred in providing a Response to this RFQ
- It is the general policy of FHA to not publish or publicly release documents submitted in response to Requests for Information, Requests for Proposals, or Invitation for Bids

2. BACKGROUND

A demonstration program for home equity conversion was authorized by the Housing and Community Development Act of 1987 (PL 100-242), and was initially limited to 2,500 total mortgages, although that limit was soon raised. The purpose was to enable eligible (age 62 and above) homeowners to convert some of their accumulated home equity into cash to meet their special needs without requiring repayment of the loan for as long as the borrower resides in the home. HUD designed the HECM product in response to the statute, and it has become the dominant reverse mortgage product in the US market. The first HECM loan was closed in September 1989. The HUD Appropriation Act of 1998 authorized HUD and FHA to make HECM a permanent program.

A reverse mortgage derives its name from the pattern of payments that is typically the reverse of a traditional mortgage loan used to buy a home. Specifically, with a home purchase mortgage, the lender advances funds to the borrower in a lump sum at the outset while the borrower makes periodic repayments to the lender that eventually retire the debt. With a reverse mortgage, the pattern is the opposite: the lender advances funds periodically to the borrower, while the borrower makes no repayment to the lender until the end of the loan, when a lump sum repayment is due. HECM reverse mortgages do not require repayment as long as the borrower is alive and resides in the home. Because advances to borrowers, interest on the debt, and other fees accrue, reverse mortgages such as HECMs are generally risky loans for private lenders to offer. With HECM, FHA provides mortgage insurance to private lenders, protecting them against losses resulting from non-repayment in full of the loans and making the lenders more willing to make these loans. Non-repayment would typically occur if the amount of the debt exceeds the net proceeds from the sale of the property when the loan becomes due. If a loss due to non-repayment occurs, the lender files a claim to FHA for insurance benefits.

One feature that distinguishes the HECM product from conventional reverse mortgage products is an option that lenders have to assign the loan to HUD when the total loan balance grows to equal 98 percent or more of the loan's *maximum claim amount*. HUD offers this option (1) to increase the liquidity of these loans that have no stated term to maturity and (2) to provide lenders with full insurance coverage from losses due to non-repayment. When the balance of a HECM loan reaches 98 percent of the maximum claim amount, the lender may assign the loan to HUD, and HUD assumes all responsibilities for servicing the loan going forward.

The history of the HECM program is documented in five reports to Congress prepared by HUD. The first, submitted in 1990, described the HECM product's features and why various design decisions were made, including the actuarial assumptions of the HUD pricing model. The second

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HUD report was submitted to Congress in 1992, and it provided initial findings on borrower, loan, property, and lender characteristics as well as outstanding legal and programmatic issues. The third report to Congress was submitted in 1995, and it updated the findings of the 1992 report as well as conducted an initial actuarial review of the program's insurance fund. The fourth report was submitted to Congress in May 2000. This report updated the 1995 actuarial review, and presented the latest available borrower, loan, and property characteristics. The 2000 report also included borrower feedback on satisfaction with the program. The fifth and most recent report to Congress was submitted in 2003. This report was mandated by Congress to update the actuarial analysis presented in the 2000 HECM Report and examine the potential impact of certain legislative proposals affecting the HECM program.

The volume of HECM loans is growing rapidly: Through Fiscal Year (FY) 2008, FHA has insured over 457,000 HECM loans since the program's inception. Of these, FHA insured over 112,000 cases during FY 2008, which represents nearly a quarter of all cases ever insured, and more than six times the 18,000 cases FHA insured just 5 years ago in FY 2003. This growth is generally believed to be related to (1) the rise in home prices in most parts of the nation that occurred between 2000 and 2007, which, despite price decreases in some markets during 2007 and 2008, has generally increased the amount of home equity held by older homeowners since the start of the decade; (2) persistence of relatively low interest rates by historical standards after 2000, which allows HECM borrowers to access higher percentages of their home equity; (3) increased lender interest in offering HECM loans, and (4) growing public awareness of reverse mortgages in general. HECM volume did remain flat between 2007 and 2008, but projections for the future are for continued growth in HECM volume as the baby boom generation enters retirement years, and a rising demand for HECM brought about by changes enacted by the Housing and Economic Recovery Act (HERA) of 2008. (Specifically, HERA raised the statutory ceiling on maximum claim amounts for HECM to equal the conforming loan limit used by Fannie Mae and Freddie Mac for purchase of one-family home mortgages – currently $417,000 – and to apply this ceiling nationwide for HECM loans. The prior ceiling on maximum claim amount for HECM varied by locality and ranged from $200,160 in low-cost areas to $362,700 in the highest cost areas. HERA also permitted HECMs to be used for home purchase, where previously this was not allowed).

In FY 2008, the highest volume lender was Wells Fargo who originated 17.5% of all HECM's in that year, closely followed by Financial Freedom who originated 6% of all HECM's in FY 2008. There were a total of 2,740 originators in FY 2008, which is almost double the number of originators in FY 2007 (1,454 originators in 2007). This increased originator entrance into the industry can be expected to continue as HECM demand increases. Details on originator information by month can be accessed at
http://www.hud.gov/offices/hsg/comp/rpts/hecmsfsnap/hecmsfsnap.cfm

Although the number of active HECM originators in FY2008 was 2,779, most of these lenders transfer servicing rights to a relatively small number of servicing lenders who specialize in HECM servicing. In FY 2008 there were 16 active HECM servicing lenders. The HECM servicing lenders will be the primary external clients interfacing with the HECM SP on a day to day basis.

In October, 2006, the Government National Mortgage Association (Ginnie Mae) announced that it will begin to guaranty securities backed by HECM mortgages. The development of a liquid

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secondary market for HECM, such as proposed by Ginnie Mae, and supported by FHA, will broaden the lender distribution channels for HECM loans, expand the investor base, and reduce costs for borrowers -- all of which raise projections of future program volume. Although the current housing market turmoil has slowed secondary market activity for HECM, prospects for growth in HECM-backed securities remains good once investor confidence returns.

The recent volume growth along with projected volume increases necessitates a new comprehensive HECM solution for HUD to efficiently handle this growth. In addition, the recent financial audit of FHA's FY 2008 financial statements noted a significant deficiency relating to HECM processing. Four of the seven recommendations related to HECM processing concerns.

Accordingly, FHA seeks business services that provide a comprehensive end-to-end solution to support its Reverse Mortgage processes to: meet the growing demand for HECM loans; comply with Federal legislation; address audit weaknesses; and improve overall monitoring and oversight over the various stages of the product's life cycle.

3.   OBJECTIVES

The principal objective of this RFQ is to obtain a Service Provider (SP) who can provide a cost-effective web-based service that supports the FHA HECM insurance program. FHA wants a service that will, at a high level:

- Provide enhancements to facilitate and integrate the current HECM process
- Provide an integrated end-to-end solution to a business function that currently uses several disjointed processes
- Provide interfaces with other HUD systems
- Quickly adapt to legislative and other changes in the policies and procedures that guide management processes (e.g. HECM for Home Purchase, inclusion of Condominiums and Co-Ops)
- Support the high current and projected HECM case volumes while achieving cost savings for FHA's business partners
- Support Ginnie Mae and other's efforts to develop a liquid secondary market for HECM

In addition to the above, the service must provide to FHA and its business partners accounting and audit support that meets Federal requirements. The objective of the SP is to (a) eliminate the current time consuming, manual processes needed to reconcile HECM data residing in different media or on different platforms (b) accurately maintain all active and historical loan level records, such as loan and borrower characteristics, loan balances, and case status, and (c) provide HUD management with ready access to data for financial, budgetary and other reporting needs. An active case is one that is insurance-in-force, pending or assigned.

FHA also anticipates that the HECM service will have the flexibility to support process changes that Ginnie Mae will require to implement its HECM mortgage-backed-security (HMBS) program. In order to support the securitization of HECM loans, the HECM service will be required to interface with Ginnie Mae systems to verify the insurance status of HECM cases in Ginnie Mae guaranteed pools. Other process changes may include the ability to service insured HECM loans that Ginnie Mae acquires from an MBS issuer who defaults on its obligations. Servicing a defaulted Ginnie Mae owned HECM portfolio is expected to be an extremely rare event; yet, FHA may require the SP to incorporate the capacity to do so.

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In the existing system environment at HUD, HECM information is retained in various systems. These include the Computerized Homes Underwriting Management System (CHUMS), the Home Equity Conversion Mortgage/Insurance Accounting Collection System (HECM/IACS), Excel spreadsheets (HECM Claims), the Single Family Mortgage Asset Recovery Technology (SMART - HECM Assigned Notes), the Single Family Asset Management System (SAMS - HECM REO Property), the Federal Housing Administration Subsidiary Ledger (FHASL), and the Single Family Data Warehouse (SFDW). Data is exchanged between these systems and the lending community through both direct interfaces and manual inputs. These manual interventions can lead to inaccurate inputs and untimely updates. The HECM service must ensure that these issues are addressed to the extent possible.

The new HECM service must be able to capture information on a HECM loan from the loan application to the disposition of a HECM property. Active and inactive case data must be retained with the ability to recall inactive case data, at any time, for reporting or further processing. The SP service must support automated interfaces to move the required data to other HUD, Ginnie Mae, and US Treasury systems. Examples of interfaces the SP service will be required to support are with the following systems: CHUMS, FHASL, SAMS, and SFDW; Ginnie Mae's Enterprise-Wide Operational Data Store (EWODS, currently under development); and the U.S. Treasury payment and collection process (pay.gov).

FHA also requests that the HECM Service Provider provide for attaining Capability Maturity Model (CMM) Level 3 status by the end of the first year of full operations.

4.   SCOPE

As described above, HUD's and FHA's principal objective is to obtain a web-based service that will receive, store, display data, and perform other core management and accounting functions related to all stages of a loan's lifecycle from the endorsement of the HECM loan to the disposition of the single family real property, if warranted. The SP must ensure that HUD's business partners have the needed tools to deliver HUD products and services that meet high standards of management and accountability and be capable of meeting other requirements unique to HUD and FHA. HUD does not expect any existing service to have all of the functionality required herein. However, HUD expects the Contractor to have a general understanding of HUD's unique requirements and describe its ability to provide them.

At a minimum, the scope of services to be provided will encompass the ability to:
*   Obtain, store, and display case level information about HECM loans insured by HUD until the disposition of single family real properties, if applicable
*   Track events and information as it relates to the set up of individual HECM loan information, loan insurance management, premium collection, general servicing, termination of FHA insurance, claims review and settlement, notes servicing and support for Financial Management, including accounting transactions to update the FHASL
*   Retain data relative to holders, servicing lenders, contracts, contractors and vendors that support the reverse mortgage program
*   Calculate and collect Mortgage Insurance Premiums (MIP), including offsetting same by amounts due to the servicing lender as a result of claims, if appropriate
*   Generate disbursement transmittals for payment of claims to the loan holder/servicing lender

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- Provide data security with multiple levels of access for users including HUD employees, HUD contractors and FHA business partners, working with HUD Personnel Security and ADP Security regarding user access issues, when necessary
- Provide standard and ad hoc reporting capabilities
- Facilitate summary, trend and comparative analysis of the HECM portfolio
- Maintain a Help Desk
- Provide ease of navigation and use for users at all skill levels
- Ensure the security and privacy of the information collected and stored and implement a disaster management plan acceptable to the Department
- Provide automatically generated notifications and alerts to make managers aware of errors and other concerns and also to ensure a timely and accurate enforcement of business workflow requirements
- Work with HUD Personnel Security and ADP Security to obtain and resolve user access

The SP will receive, store, display, manage and analyze all data necessary to effectively support HUD's HECM program. Some data will be exchanged with HUD or external systems. The primary data exchange will occur with FHA-approved servicing lenders. Through the servicing lenders, the SP will receive notification of activities that affect the individual loans that are part of the FHA Reverse Mortgage portfolio. These activities include, but are not limited to withdrawals, accruals, MIP collections, claims, and notification that final proceeds have been received and reconciled when a property is sold. The SP shall provide data to entities within and external to FHA for the purposes specified, and shall be required to perform all related Federal Accounting for the activities specified, and will interface with FHA's Financial Management System, the FHA Subsidiary Ledger (FHASL), with appropriate accounting data as determined by FHASL's requirements.

Manual input of data will be performed on a daily basis by FHA HECM servicing lenders, employees of M&M contractors, HUD closing agents or by HUD staff. The SP application must include functionality to support all of the tasks described below.

The SP must maintain a list of users and their roles that will control which screens and fields each user is authorized to view and/or update. In addition, the SP must track holders and servicing lenders and limit their ability to view or modify cases to only those that are in their portfolio.

The following table contains the current information available to HUD regarding the numbers of users in the different program areas for the different types of access or processes (it is expected that as the volume of HECM loans grows, some of these numbers will increase):

	Accounting	Claims	IIF Servicing	Notes Servicing	Reporting
BI Reporting Users	10	16	30	35	60
Application Users	10	56		421	
Internet Concurrent Users		40	400	395 or 421 *	20
HUD Direct Connect	10	16	30	26	20

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Users *					
Help Desk Calls	50 per month	25/30 per day	235 per day	30 per day	1 per day
# of Attached Documents		6		See SOW Section B.1	
# of Pages per Document		150 max		See SOW Section B.1	

The number of HUD Direct Connect Users is dependent on whether HUD decides to use the Direct Connect method, or has all users signing on via the Internet, in which case the HUD Direct Connect numbers will be added to the Internet numbers.

For purposes of managing the implementation of Business Functionality and assigning deliverables to those requirements, the processes listed below have been divided into four sections, as follows:
1) Underwriting and Servicing – includes the processes described under A and B of 5.1
2) Claims and Notes – includes the processes described under B, C and D of 5.1
3) Accounting – includes the processes described under 5.2
4) Reporting and Other – includes the processes described under 5.3, 5.4 and 5.5

The Contractor will also be required to produce Business Process and Rules Documents for each of the four sections listed above and deliver them in both soft and hard copy forms for approval. In order to provide for concurrent implementation and testing activities, pilot implementation has also been divided into the same four sections. In the event that the Contractor has an alternative methodology that would provide greater value to the Government, this section of the deliverable schedule may be changed upon the approval of the GTR and GTMs.

There are also requirements for the development and execution of training sessions that coincide with the four sections, as in most cases the audience of 15 to 20 users will be different. Training will be administered in a classroom, hands-on setting at HUD Headquarters, and will include full User Manuals as a minimum requirement for written training materials. There are also several offices that are not located at HUD Headquarters that will require training, but for which travel may not be an option. The Contractor should include web-enabled or video conferencing as part of their solution for the training portion of the requirement.

At the end of each pilot period, the Contractor will perform an assessment of the pilot, and provide these assessments in writing, including recommendations for correcting any discrepancies found. Once the discrepancies have been corrected, or a plan for future correction has been approved by the GTR and GTMs, the Contractor will perform the final activities required to fully implement the service, in accordance with the approved Data Conversion and full Production Cutover document that will have been previously delivered.

During the pilot period, the Contractor will also provide Monthly Reports, Help Desk Support, Operations and Operational Update Services that will be the on-going services provided for the remainder of the contract.

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The SP Contractor will be required to perform management tasks for the duration of the contract that will include developing and maintaining various plans, Status Reports, In-Process Reviews and Briefing Materials, as required by the Deliverable Schedule found in Task 8 of this document and in the remaining portions of the SOW.

5. MINIMUM BUSINESS REQUIREMENTS

The service must fully support all functional requirements related to FHA's HECM program and will serve as the system of record for HECM loans after endorsement until the property is transferred to Asset Management for disposition, if applicable. Prior to endorsement, CHUMS is the system of record. All of the processes and business rules in this section are listed as HUD performs them today, or are requirements that are currently not being provided but are necessary to perform HUD's Reverse Mortgage process. The inclusion of this information is not intended to dictate the SP's solution, but is provided to ensure that the business functions are part of the SP's service. Therefore, the SP will not necessarily handle these functions in the same way, but must demonstrate that the functionality is being provided.

5.1 UNDERWRITING AND SERVICING PROCESSES

A. UNDERWRITE LOANS

The Computerized Homes Underwriting Management System (CHUMS) is FHA's Underwriting system, performing all of the functions required to endorse an FHA loan with the exception of collecting the Upfront Mortgage Insurance Premium (MIP). CHUMS will collect the initial data for the HECM loan, and will ensure that the lender, borrowers and property are acceptable to FHA, then will calculate the Upfront MIP that is due for the loan based on the calculated Maximum Claim Amount that is determined from the appraised value and the FHA 203(b) loan limit for the county in which the property resides. Birthdates of the prospective borrowers are collected to determine the Principal Limit that will apply to the loan. CHUMS will notify the SP of the Upfront MIP amount due, and will await word from the SP that the amount, along with any late fees and interest, has been collected prior to endorsement of the new loan that signifies granting of FHA Insurance.

A.1 Initial Underwriting Process

The CHUMS system will perform the following processes. The service must support interface requirements with the CHUMS system. The following are the functions performed by CHUMS as the first step in the Underwriting process for the HECM program:

Support Counseling
   Track pre-application counseling for prospective borrower
Process Application
   Record receipt of application from prospective borrower
Assign Case Number
   Validate lender
   Validate property address
   Validate borrower SSN
   Assign underwriter and appraiser
Process Property Appraisal

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Record property appraisal and maximum claim (loan) amounts

Determine Loan Parameters

Record borrower birth date(s) for purposes of determining the age factor for the Principal Limit

Schedule initial loan type (term, tenure, line of credit, modified term, modified tenure) (lump sum, monthly disbursements, and combo)

Select FRM/ARM

Lock-in Initial principal limit and interest rate (expected rate on ARM)

Determine Disbursement amounts (based on youngest borrower's age, maximum claim amount, interest rate, or previously determined principal limit)

Track repairs, if warranted, or repair set-aside

Select traditional loan, purchase loan or refinance of existing HECM loan

A.2 Additional Set Up Prior to MIP Collection

The Lender must be able to enter additional information into the SP service in order to ensure that the Initial MIP collected is correct, as follows:

- Case Number
- Create Date – the field which is created when the loan passes out of suspense and is ready for initial fee processing
- Payment Plan – Term, Line of Credit, Tenure, Modified Term (Term & Line of Credit), Modified Tenure (Tenure & Line of Credit)
- Principal Limit – it is the present value of the loan proceeds available to the borrower. It is the maximum disbursement that a borrower can receive under a mortgage, assuming that no other disbursements are made. The principal limit is determined on the date the borrower signs the initial loan application or at closing, whichever is more beneficial to the borrower. A borrower's PL is calculated by taking the product of the maximum claim amount and the factor corresponding to the age of the youngest borrower and the Expected Interest Rate.
- Rounding of initial interest rates – the lender is not required to round either the Expected Interest rate or the ARM note rate. The lender may round both rates, only one rate, or none of the rates. If the lender chooses to round either rate, the rate must be rounded to the nearest eighth of a percentage point and rounded throughout the life of the loan.
- Maximum Claim Amount – is equal to the lesser of the appraised value of the property or the FHA maximum mortgage limit for the area in which the borrower's property is located.
- Length in Months – the payment plan requires a monthly payment for a fixed term
- Expected Interest Rate – is the mortgage interest rate used to calculate future payments to the borrower
- Margin – used to record the margin for adjustable rate loans that may adjust monthly or annually
- ARM index – used to determine the interest rate for adjustable rate mortgages.
- ARM periodic – used to determine periodic adjustments to the initial (accrual) interest rate

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- Fund Date – Date funds have been disbursed by the lender (usually 3 business days after closing)
- Closing Date – the loan closing date for all HECMs is defined as the date on which the borrower signs the note
- Ten Year Rate – Used to indicate the expected average interest rate used at closing to calculate the monthly payments to the borrower
- Mortgage interest (accrual) rate – The amount of interest charged to the mortgage balance (applicable to all rate types and indices)
- Rate type (fixed or monthly or annual)
- Adjust Date - use this date to automatically calculate the new interest rate at the adjustment date
- Open-end Credit – used to indicate partial prepayments are eligible for future draws
- Closed-end Credit – used to indicate partial prepayments are ineligible for future draws
- Loan Status (suspense, pending, endorsed, cancelled, reinstated, terminated, or assigned)
- Payment Start Date
- Social Security Number(s)
- Youngest borrower name
- Additional borrower name(s) (up to 5 total HECM mortgagor names including youngest)
- Sales Price – subject to but limited to the calculation of the borrower's investment on purchase loans only
- Borrower's investment – the amount needed to satisfy the difference between the sales price and HECM principal limit
- Upfront Mortgage Insurance Premium (MIP) (see A.3 below) – at closing the lender must remit a non-refundable premium equal to 2% of the maximum claim amount, however, a reduced amount is required on a HECM to HECM refinance
- Monthly Mortgage Insurance Premium (MIP) (see B.2 below) – every month for the life of the mortgage, the lender must remit a premium – monthly MIP will accrue daily on the outstanding balance at a rate equal to one-half of one percent per annum
- Property Address, city, state, and zip code
- Monthly Payment – indicates when the monthly payments are to begin. Must reflect the first business day of the month after closing unless other arrangements have been made at settlement
- Service Fee Side Aside – reduction to principal limit for future service fees charged outside note rate
- Service Fee – monthly monies charged by the lender for servicing the loan, if charged outside the note rate
- FHA Appraisal Amount
- Title Held As – used to determine if mortgage is meets statutory and regulatory requirements
- Transaction Type – used to determine the type of mortgage the borrower is seeking (i.e., traditional HECM, Purchase HECM, or Refinance HECM)
- Repairs Set Aside – captures the amount of funds set aside to cover home repairs to be completed after endorsement

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- Validate internal consistency of all Payment Plan amounts (principal limit, scheduled payments to borrowers, and lines of credit should all be consistent with interest rate, borrower age, maximum claim amount and other case level information in accordance with HUD approved business rules)

A.3 Initial MIP Processing – Requires interface with FHA's Financial System

Within 15 days of closing and as a condition of endorsement, the lender must remit the required premium of 2% of the maximum claim amount (or a lesser amount on a HECM to HECM refinance) and add the amount to the borrower's outstanding balance, if it was not paid in cash by the borrower. In order to support this process, the SP service must allow for the following functions to be performed by FHA-approved lenders:

- Enter information concerning the characteristics of the mortgage at closing, including information about the borrower's payment plan
- Access the automated MIP collection and accounting functions and process appropriate accounting transactions as detailed in the accounting posting models

Once the information has been entered by the lender, the service must be able to collect the Initial MIP via ACH withdrawal on the first bank business day following the day that the information was transmitted. This is the "receive date" and is the basis for determining the timeliness of the payment upon which late charges and interest will be calculated, if after the 15 day grace period.

When the Initial MIP (and any applicable late charges and interest) have been received, the SP must notify CHUMS via interface.

A.4 Initial MIP Refunds

In the absence of at least one of the following circumstances no portion of the initial MIP may be refunded, notwithstanding the fact that the loan may be paid off in a relatively short period of time: (1) the lender remitted too much money (2) the mortgage was never endorsed, and is not eligible for endorsement (3) an appeal of late charges and interest was approved and (4) an erroneous closing date was entered and later corrected

A.5 Endorsement Processing

The CHUMS system will then complete the process of endorsing the loan and will notify the SP service that the Servicing process may begin. The following are the final functions in the Underwriting Process:

Track Settlement
    Record selection of final loan type and payment plan
    Collect data from closing of loan
    Track funding of loan after 3 day right of rescission period

Process Endorsement Request
    Collect date of submission of closing package
    Check that upfront MIP is paid
    Determine if all other conditions for endorsement are met
    Generate Mortgage Insurance Certificate

B.   SERVICE LOANS

The SP's service must fully support all functional requirements related to the HECM program servicing processes. Processes are listed as HUD performs them today. The SP will not necessarily handle these functions in the same way, but must ensure that the business function is included.

The HECM SP will provide information that is vital to the effective servicing of HECM loans. The SP will be required to accept Business to Government (B to G) transactions from HECM holders/servicing lenders, and must also support manual input of data that may need to be performed on a daily basis by HUD contractors or staff. The HECM SP will contain all loan information, including investor information.

Inactive case information may be archived based on criteria established during the Business Rules development phase. The SP must, however, provide the capability to re-activate the case at any time, including a function for users to request re-activation. There may be a requirement to report against inactive cases that will be defined with the Business Rules.

B.1   Set Up Individual Loan Information

The HECM SP will have the ability to input the following data. The list below is not all inclusive:

- FHA Case Number
- Borrower(s) Name
- Property Address
- Phone Number
- Social Security Number
- Name of Investor (Note holder)
- Name of servicing lender
- FHA HECM Servicing Lender ID number
- Servicing Lender 's Own Loan ID #
- Servicing Lender Point of Contact name
- Servicing Lender Representative Telephone Number
- Servicing Lender Mailing Address
- Investor Name and ID (Presently Fannie Mae, Bank of America, Ginnie Mae. Need the ability to add additional names]
- Investor loan number
- Name of Borrower's Power of Attorney (if applicable) with contact information (address, phone number(s), email address)
- Name of Borrower's Trustee (if applicable) with contact information (address, phone number(s), email address)
- Name and contact information of Borrower heir or person borrower has provided us to contact as backup. There should be a few lines dedicated for making notes.
- Marital status at time of loan origination or if status has changed since origination (track changes- married, single, divorced, remarried – birth date of new spouse, date of death of one or more mortgagors)

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- Loàn Status Field (HECM insured loan; assigned; paid off; approved for due and payable; date of 1st legal action; foreclosed; terminated)
- Second Mortgage (for all HECM loans, HUD makes the borrower sign two different mortgage notes)
- Remarks/Note data field- track comments from HUD specialist - date/time stamped
- HUD HECM Servicing Contractor and ID (drop down lists)
- List of HUD HECM Contractor staff (Drop down field)
- Place for Contractor to write notes (date/time and User ID stamp and lock-in comments in note section; ability for user to edit notes)
- Track corporate advances when loan holder advances funds for property charges on behalf of borrower when principal limit has been exhausted
- Ability to store and access scanned documents - examples of the types of documents to be stored, and their approximate size, include, but are not limited to:
  - Scanned appraisals (10 pages)
  - Property inspections and photos (2-5 pages)
  - Mortgage/Deed of Trust (6-8 pages)
  - Note (2 pages)
  - Assignments (1-2 pages)
  - Assignment request data (20-30 pages)
  - Partial release packages (30-40 pages)
  - Short sale packages (20 pages)
  - Correspondence (variable)
  - Due and payable request packages (10-15 pages)

B.2 Loan/Insurance Management – Requires interface with FHA's Financial System

To support Loan/Insurance Management functions, the HECM SP shall:

- Have ability to interface with FHA's Financial System in order to ensure effective loan/insurance management
- Collect the monthly Mortgage Insurance Premium (MIP) via PAD
  - All HECM loans are insured retroactively from the date of closing, so the monthly MIP begins to accrue on the outstanding balance from the day after the expiration of the three day rescission period, required under the Truth in Lending Act
  - Payment of monthly MIP is due to the Secretary on the first business day of each month, except the month in which the mortgage is closed
  - The monthly MIP payment is calculated based on the daily outstanding balance of the loan – an annual rate of 0.5% of the outstanding balance is applied to determine the correct amount
  - The lender must have the capabilities to update the loan information with information on the mortgage, if necessary, including any unscheduled payments, and the required MIP is calculated based on this information
  - A late charge equal to 4% of the initial or monthly MIP remitted is assessed whenever payment of the MIP is not received in full on the required date
- Track monthly disbursements, either scheduled or unscheduled, to the borrower

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- Record HECM Plan Changes (type of plan; date of change, who requested, while maintaining historical records of original loan information, any interest rate changes, charge to borrower ($20 fee)) and perform calculations necessitated by the change
- Validate internal consistency of new Payment Plan amounts (scheduled payments to borrowers and lines of credit when plans are modified should be consistent with HUD approved business rules)
- Calculate the Principal Balance based upon disbursements, fees, partial repayments, interest accruals, MIP – calculations must apply any partial repayments in a certain order to ensure accurate accounting of Principal Balance
- Track borrower's Line of Credit, if that plan was chosen, to include all payments, accrued interest including interest rate changes, servicing fees, advanced tax and/or insurance payments, special assessments, and any other additions to the balance that are applicable
- Have the ability to calculate monthly principal limit growth and process reversals and/or adjustments
- "Lock" the line of credit option loans against future draws and flag HUD staff/contractors when the account is within an established tolerance of reaching a negative balance
- Have the ability to calculate the 10% daily penalty plus any interest for failure to disperse on time ($500 cap)
- Have the ability to perform all accounting functions as necessary, based on the posting models

B.3 General Servicing – Requires interface with FHA's Financial System

In support of General Servicing requirements, the HECM SP shall:

- Be the Department's source for borrower and vendor accounts relative to the general servicing of HECM loans whether the action is performed by the investor, servicing lender, HUD, or HUD's contractor and whether the loan is insured or assigned
- Have tickler capabilities to notify when a servicing action is due, therefore the service should include business rules regarding timeframes (e.g. dates for items needed in determining claim payments)
- Have a reporting feature that will identify and generate a report containing servicing actions missed
- Contain a reporting feature that will track servicing actions in a sequential, logically, or chronological order
- Contain a "checklist" feature that will assist tracking of missing documents or missing steps and will incorporate a query function that can generate reports as designed by the user
- Have query and ad hoc reporting functionality based upon sets of different elements (examples of fields include but are not limited to: street, county, state, borrower name, SSN, etc.)
- Have mapping capabilities for any loan that will also identify/flag other HECM loans in proximity of the subject loan selected
- Establish and maintain vendor accounts for all parties who will receive payments of any kind relative to the servicing of the loan – the service must provide the ability to include detailed information such as name, vendor ID, EIN number, dollar amount paid, date paid, account or policy number, and the purpose of the payment (e.g. insurance, HOA

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fees), etc. (vendors may include but are not limited to taxing authorities, homeowners' associations, hazard insurance carrier, force place insurance carrier (if applicable), flood insurance carrier)

- Capture (at origination) who is responsible for paying property charges (servicing lender or borrower)
- Connect with HUD's webpage for REO Preservation and Protection Cost Schedule (http://www.hud.gov/offices/hsg/sfh/reo/pandpsched/)
- Have the ability to record the amount, date, reason, and person who authorized any over allowable preservation and protection expenses
- Retain bids submitted by servicing lender
- Track dates for all activities so that functions such as the results from annual occupancy certifications have the ability to be queried for reports
- Retain annual occupancy certifications
- Be able to capture the results of the occupancy inspection (ie: vacant, abandoned, occupied, and any notations regarding property condition (code violations, uncut grass, deferred maintenance, etc.)
- Develop codes for occupancy status: occupied, vacant, borrower in hospital, etc. (if one borrower is not living in house for greater than 6 months)
- Track dates for all activities so that functions such as the annual certifications can be done automatically
- Have the ability to generate payment schedules and the ability to calculate monthly or periodic calculation of invoice amounts
- Automatically flag loans 30 days in advance of any interest rate change
- Have the ability to record information relative to loan indemnification (date, holder, etc.)
- Have the ability to record the data necessary to manage HECM Repair Set-Asides, including the ability to allot 6 months from origination to complete the repairs – the data may include but is not limited to date repairs were completed, monies in account, and repair administration fees
- Generate reports based upon required completion date for repairs, including aging reports
- Have the ability to complete calculations and, when required, project likelihood of the HECM loans reaching or exceeding maximum claim amount (in order to service HECM loans the following information requires calculations: Borrower's available line of credit; negative line of credit reached (send email alert to NSC manager; mgt. should have ability to query these loans); calculation of loan payoff amount)
- Have the ability to record the information necessary for Payoff Requests – data may include, but is not limited to, date requested, amount requested and by whom, date funds wired, borrower account information
- Have the ability to record information necessary to track bankruptcies (when necessary) – information required may include date borrower filed; type filed (Ch. 7or Ch. 11), Bankruptcy Attorney name and contact info
- Have the ability to retain the following documents: Annual Occupancy Certification and Property inspections
- Include the capability to project the due date of the next occupancy inspection/mortgagee certification based upon the date of the prior occupancy inspection/certification

- Have the ability to identify all loans (using the "county" field) affected by any natural disaster (earthquake, flood, hurricane, etc.) and also have a separate field to "flag" them by disaster type
- Have the ability to produce all form letters for annual occupancy certification, tax and insurance verification, title approval, payoffs, due and payable info, etc.
- Have the ability to send "boiler plate" form letters via email
- Have the capability to prepare and generate releases for the appropriate recording entity, and track what each recorder's office requires in legal documents
- Provide B2G capability for input by the HECM servicing lenders of homeowner's insurance payment due dates, name and address of homeowner carrier and policy number for the borrower, tax ID numbers and other required information
- Keep an aggregate total of all advances made for homeowner's insurance for each HECM loan
- Track when a homeowner's insurance carrier has canceled a borrower's policy (date of cancellation) and capture the name and amount of the servicing lender's force place insurance carrier
- Have the ability to acquire and store copies of legal documents, as needed

B.4 Special Assessments

In order to allow for the processing of special assessments, the HECM SP shall:
- Provide B2G capability for input by the HECM servicing lender for information of any special assessments (i.e. cooperative fees, Homeowner Association (HOA) fees, ground rents, etc.) that will capture the following fields:
  - Name of assessor
  - Address
  - Due date
  - Assessment amount
  - Tax ID number
  - Vendor number
  - Other relevant information
- Include special assessments in the accruals that impact the borrower's Line of Credit (LOC) if that HECM option was selected by the borrower

B.5 Process Partial Prepayments

In order to allow for the processing of partial prepayments, the HECM SP shall:
- Have the ability to record any monetary amounts prepaid by the borrower
- Record date paid

B.6 Track Non-Compliance

In support of the requirement to track Non-Compliance with HECM regulations, the HECM SP shall:
- Allow HUD and/or its contractor to effectively track loans where the borrower is non-compliant with the terms of the Note
- Upon receipt of the "Notification of Default" form, be able to perform the necessary calculations and generate a decision to either approve or deny the request for deferment of calling the loan due and payable, based on Business Rules defined by HUD

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- Provide B2G capability for input by the HECM servicing lenders of tax due dates, name and address of taxing authorities, tax ID numbers and other required information and flag the loan as soon as the principal loan limit is insufficient to fully pay the tax bill and the servicing lender starts advancing their own funds
- Keep an aggregate total of all advances made for taxes for each HECM loan
- Provide B2G capability and screens for input by the HECM servicing lenders of homeowner's insurance payment due dates, name and address of homeowner carrier and policy number for the borrower, tax ID numbers and other required information and flag the loan as soon as the principal loan limit is insufficient to fully pay the insurance bill and the servicing lender starts advancing their own funds
- Keep an aggregate total of all advances made for either homeowner's insurance or force place insurance (whichever is applicable) for each HECM loan
- Provide the ability to do Loan-to-Value calculations based upon the following:
  - Annual cost of taxes to be advanced, if any
  - Annual cost of insurance to be advanced, if any
  - Current Fair Market Value of property
  - Source of value (BPO, autoval, or appraisal and date of valuation
  - Date of birth of youngest borrower
  - Maximum claim amount
- Have the ability to capture decision by HUD with the following values:
  - Defer due and payable (yes/no)
  - Declare HECM due and payable (yes/no)
- Record due and payable date approved (see below)
- Record date HUD received servicing lender notification and generate a form letter notifying servicing lender of HUD's decision, if desired.
- Record reason for deferral request (drop down list or codes to be developed)
- Capture whether borrower is currently reimbursing servicing lender for any advances they have made for property charges (amount paid and purpose)

B.7 Disposition Options

The HECM program allows for a variety of disposition options depending upon the loan status: active, due and payable, or death of last surviving borrower. Other factors include whether or not the property has equity or whether or not the borrower(s) have any heirs. Disposition Options include Refinance, Loan Paid Off in Full, Short Sale, and Deed in Lieu of Foreclosure. The HECM SP will have the ability to record relevant data for each disposition mode and perform appropriate calculations. Data may be stored as either scanned images or .pdf files, as approved by HUD. Examples of actions the HECM SP must provide for include, but are not limited to:

- Retaining the appraisal document
- Enter relevant information from the appraisal – includes, but is not limited to: "as is" fair market value (FMV), appraiser information, property chronological and effective age, property condition, expiration date of appraisal (6 months from date appraiser signed appraisal)
- Validate the appraiser ID against CHUMS and post an edit/reject flag if the appraiser is not on the HUD approved roster

- Retain name of FHA roster appraiser and FHA vendor ID number
- Capture all marketing activities (list price or list price reductions) that occur on property
- Capture history of offers, cancelled sale transactions, and reasons that sale fell through
- Validate if sale has occurred within 12 months of last surviving borrower's date of death if sale is result of heirs selling property after borrower's death
- Capture terms of either regular sale or short payoff (examples of offer information include terms such as: sales price, projected date of closing, projected net proceed amount and whether or not sale meets FHA sales ratio requirements)
- Calculate and capture 95% of "as is" fair market value for purposes of property sale when the loan is in a due and payable status and the loan balance exceeds the "as is" fair market value
- Retain proposed/actual HUD-1 Settlement statement
- Validate sales price compliance in relation to either mortgage balance or appraised value depending on type of sale
- Retain Deed-in-lieu of foreclosure approval date

B.8 Loan Acceleration / Foreclosure (differences for non-assigned and assigned loans)
The HECM SP will allow HUD staff and contractors to track the different processes and timetables, as stated in regulations and policy, for loan acceleration analysis, servicing lender notification to the borrower and foreclosure timetables for both non-assigned and assigned HECM loans. Whether the HECM mortgage is foreclosed as a result of the death of the last surviving mortgagor, or the borrower has not complied with the terms of the Mortgage Note, the HECM SP shall:
- Capture last surviving borrower's date of death, the date the servicing lender notified HUD of the death and calculate the time lapse between the two dates
- Have ability to flag when the time lapse between date of death and servicing lender reporting exceeds 60 days
- Have capability to connect, by a publicly available web link, with Social Security Administration's database of death records to validate date of death
- Capture HUD decision using drop-down field for (approved/denied) and decision date on "Due and Payable/Acceleration" request
- Capture date servicing lender issued the demand (notified borrower of acceleration of Mortgage Note)
- Project date (in compliance with regulations) that servicing lender is required to initiate foreclosure action
- Capture all data elements from the appraisal that are necessary for effective loan servicing – includes but is not limited to: "as is" fair market value (FMV) and date appraisal completed
- Have ability to retain full appraisal received from servicing lender
- Have ability to determine whether or not appraiser used on appraisal is currently active on HUD's appraiser roster list
- Have ability to calculate when appraisal will expire and flag
- Have ability to capture information on multiple appraisals, when applicable
- Calculate date when servicing lender must file claim after 2nd appraisal is received
- Capture start date of 1st legal action for foreclosure process and proposed foreclosure sale

- Capture information on whether foreclosure action is stayed or suspended
- Record date Foreclosure action is complete

In addition to the above actions, if it is an assigned loan, the HECM SP shall:

- Record date loan was "closed out" and capture date loan package will be transferred to appropriate HOC
- Record the date HUD or its contractor shipped the HECM package to the HOC and identify which HUD HOC (drop down box that contains codes that have been developed for Atlanta, GA: Denver, CO; Philadelphia, PA; and Santa Ana, CA) will receive the shipped file
- Have ability to record numerous "Requests for Extension of Time" received from the servicing lender (this field should have the ability to record multiple entries chronologically based upon date request(s) received)
- Capture the period of time that was authorized for the extension of time request: date granted and amount of time authorized (30 or 60 days)
- Have ability to generate "boiler plate" letters that automatically fill in blank fields based upon HUD or its contractor's criteria
- Have ability to record if extension is denied and reason for denial (codes to be developed)
- Have information on closing agent for sale, ability to record date and amount of funds (net proceeds) wired to HUD and/or its contractor

B.9 Short Sale / Deed in Lieu (prior to Foreclosure)

To allow for Short Sale/Deed in Lieu (prior to Foreclosure) processing, the HECM SP shall provide the:

- Ability to capture data related to the listing agent which shall include, but not be limited to the following:
  - Listing agent name
  - Listing agency information
  - Phone number
  - E-mail addresses
  - Starting list price
  - Appraised value
  - Date of current appraisal
  - All subsequent price reductions
- Ability to capture data related to all submitted sales offers which shall include, but not be limited to the following:
  - Buyer name(s)
  - Date of contract
  - Amount of offer
  - Ratio of offer amount to current appraisal amount, as percentage
  - An indicator of whether the offer was accepted or rejected
  - Expected settlement date
  - Name of attorney or title agent
  - Attorney phone number
  - Attorney e-mail addresses
  - Expected net proceeds

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- Ability to enter information on county recorder's office for Deed in Lieu
- Ability to generate a payoff letter

B.10 Termination of Insurance/Non-Compliance

The HECM servicing lenders maintain responsibility for terminating the FHA insurance on HECM loans. To support the Termination process the HECM SP shall:

- Automatically flag the loan to signal when the loan meets termination requirements – HUD and/or its contractors will capture data relative to the following instances, if not previously captured elsewhere:
  - Non-Claim Termination (Paid in Full)
  - Refinance (type of loan if known, i.e. another HECM?)
  - Death date of last surviving borrower
  - Notification date to HUD of last surviving borrower's death
  - Independently obtain death information on borrower/co-borrower(s) (such as from the National Technical Information Services of the Department of Commerce), and notify lender and HUD of cases pending termination because of death of all borrowers
- Automatically terminate the loan as of the settlement date on all claims for the following reasons, if applicable (currently not all lenders are terminating):
  - Loan has negative claim amount
  - The claim has been paid

B.11 Investor/Servicing Lender Markets HECM REO

The HECM SP shall have the ability to track and record "short sale" information (non sufficient equity) when HECM servicing lender or investor markets HECM REO (i.e. name of marketing specialist, contact information, sales price, expected closing date, est. payoff to HUD, etc.)

B.12 Assignment

A servicing lender has the option to request assignment to HUD when a HECM loan has reach 98% of the maximum claim amount. Once the loan has been approved for assignment, HUD's contractor is responsible for assuming all the general servicing loan functions that the HECM servicing lender previously performed. The bulk of the servicing tasks will be the same as found under "General Loan Servicing". In addition to those found under General Servicing, the SP shall capture the following information:

- Date Assignment Requested
- Name/ID of servicing lender
- Approved/Denied (Verification of loan eligibility for assignment)
- Reason (The SP will develop codes for more prevalent reasons)

The HECM SP shall also perform the following functions in support of the assignment process:

- Calculate % of maximum claim amount reached at time of request
- Generate an Approval or Denial letter, based on Business Rules pre-defined by HUD
- Generate standard HUD reports which detail and total how many and which loan assignments requested were received for any time period (ie: weekly, monthly by month,

yearly by year), which servicing lender requested whether they were approved or denied, and the reason

- Validate whether or not the servicing lender is currently advancing funds or the borrower is in non-compliance with the terms of the note. At HUD's direction, generate either Approval or Denial Letter based on Business Rules pre-defined by HUD
- Document corrective action that was taken -- if assignment was previously denied
- Automatically notify HUD or its contractor when next tax payment is due (if the borrower has elected a tax escrow) -- if assignment was approved

B.13 Demand Assignment (if lender fails to make payments)

In support of the Demand Assignment process, the HECM SP shall have the ability to capture:

- Name of servicing lender and ID
- Date and reason demand requested by HUD
- Flag/identify loans in servicing lender's portfolio that HUD will transfer to HUD contractor for servicing.
- Date 2nd mortgage placed in effect
- Late charges that HUD and/or its contractor must pay

In addition, the HECM SP shall be able to support the following:

- Interest must stop accruing on the 1st mortgage when the Secretary begins making payments under the 2nd mortgage

C. PAY CLAIMS

The SP must fully support all functional requirements related to the HECM program claims processes. Processes are listed as HUD performs them today. The SP will not necessarily handle these functions in the same way, but must ensure that the business function is included in the solution.

The five types of HECM claims and their respective uses are:

Type 20 - Demand Assignment: As determined by the Secretary, the mortgagee is unable or unwilling to fulfill the terms of the agreement with the mortgagor, in particular, by failing to make a required payment to or on behalf of the mortgagor.

Type 21 - Foreclosure or Deed-in-lieu: The mortgagee acquires title to the property by foreclosure or a deed in lieu of foreclosure and disposed of the property in a manner which is not sufficient to satisfy the debt, or a party other than the mortgagee is the successful bidder and purchases the property at foreclosure for an amount insufficient to satisfy the debt.

Type 22 - Optional Assignment: This is only for mortgages insured under the assignment option -- when the principal balance, including accrued interest and MIP, equals or exceeds 98 percent of the maximum claim amount, the mortgagee may exercise its option to assign the loan to the Secretary and file a claim for the full outstanding balance, up to the maximum claim amount.

Type 23 - Mortgagor's Sale: The mortgagor or the mortgagor's estate sells the property and the mortgagee releases the title to facilitate the sale, but the sales proceeds are not sufficient to satisfy the debt.

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Type 24 - HECM Supplemental: This is to correct a previous HECM claim or to claim an item omitted in a previous claim.

The SP will track and verify claim information that is entered and submitted by the mortgagee. The SP will perform calculations including applying debenture and/or mortgage interest, as applicable and provide for reviewing allowable expenses. The SP shall also generate an advice of payment, notice of suspended claims or letters of non-payment, as well as reports of all paid, suspended and non-payable claims. To support this requirement the SP shall:

- Require an approval/certification code, for assignment claims, from the HECM Notes Servicing Area (or others as identified by FHA) to verify HUD's approval of assignment of the note before mortgagee begins application process
- Provide B to G and web interface of the HUD 27011 form and retrieve endorsed information entered at origination by FHA case number
- Recognize and validate data fields that are required (based on business rules) for each specific claim type for processing based on claim type entered by mortgagee
- Classify claims by claim types as follows:
     Claim Type 20 (Demand Assignment)
     Claim Type 21 (Foreclosure or Deed in Lieu
     Claim Type 22 (Optional Assignment)
     Claim Type 23 (Mortgagor's Sale)
     Claim Type 24 (Supplement Claim)
- Calculate debenture interest according to established criteria for foreclosure/deed-in-lieu claims and for mortgagor's sale claims
- Calculate debenture interest based on the number of days between the assignment filed/recorded and settlement date, accrued outstanding balance and daily interest rate factor
- Take all curtailment requirements into account when calculating debenture interest for each HECM claim type
- Compute an amortized calculation of the accrued loan balance based on the origination date through the last complete advancement date – the loan may be an ARM or a fixed-rate mortgage
- Validate the accrued loan balance against the computed amortized calculation; if a discrepancy occurs the claim shall suspend for review by a claims specialist
- Allow claim specialist to review suspended claims and, if all parameter edits are validated within the business rules, authorize them for payment
- Send payment authorization for all claims that pass the business rules/parameter edits to U.S. Treasury for electronic payment according to FHA payment processing requirements and generate an Advice of Payment (AOP) notification to provide detailed information regarding claim payment to mortgage holder, its servicing lender, and, if an assignment claim, to HUD's servicing contractor for the HECM Notes Inventory
- In addition to the fund control limits in the project budgets, expenditures undertaken on behalf of HUD above certain dollar limits shall be properly approved by HUD prior to payment. The Contractor shall certify that no disbursements of amounts greater than the

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amount specified occur. The Contractor shall provide adequate internal control over disbursements including but not limited to:

- A system of document control which will preclude the duplication of payments
- Compliance with the Prompt Payment Act, OMB Circular A-125 and HUD operating procedures relating to disbursements, including HUD Handbook 1900.22 Rev

- Calculate the total claim amount according to existing legislative, regulatory and other official guidance; if the claim exceeds the maximum claim amount as established at endorsement, reduce the claim to the maximum claim amount, then add the calculated debenture interest
- Generate suspended file/batch daily and send an electronic notice identifying reasons for which claim suspended to mortgage holder and servicing lender if transmitted amounts exceed the set parameter amounts contained within the business rules or if other data fields fail to comply with business rules
- Generate a non-payable claim file/batch and send letter of denial with explanation for overcompensated claims to mortgage holder and servicing lender
- Generate a reconciled claim report that lists all claims that were paid, suspended or denied on a daily, weekly, monthly, fiscal and calendar year basis
- Generate a payment report, on a daily, weekly, monthly, fiscal and calendar year basis, of all paid claims detailed by FHA case number, section of the act code, claim type, holding/servicing mortgagees, accrued loan balance payments, ARS offset amounts, debenture or other interest amounts, the rate of interest, total settlement amounts, settlement date and batch ID number
- Generate a termination report of all loans automatically terminated after settlement of claim on a weekly, monthly and quarterly basis
- Create an electronic signature for mortgagees to verify that all submitted information is accurate
- Ensure that claim payments made by the U.S. Treasury will be disbursed via wire transfer (ACH) – banking information will be obtained from FHA's Institution Master File system (F51) to direct the payments to the lender's designated bank account
- Ensure that all disbursement authorizations are in compliance with Federal general ledger and funds control requirements
- Retain general ledger entries representing all accounting activities to be sent to FHA's Financial System, including funds control entries
- Upload the GHASCTAB Report from Depcon to be used as a validation source (parameters) for expenses on claim
- Provide the capability to terminate active HECM insurance for cases that were paid (See Section B.10 above)
- Provide a tracking and monitoring feature for paid HECM's note that must be reassigned (returned) to holder
- Retain FHA insurance termination information from the paid claim
- Record or provide the following data to support the Post Claim Audit function:
  - Name of servicing lender
  - Date of audit
  - HUD contractor name that performed audit
  - Initial determination of findings (monies owed HUD)

Date of audit rebuttal
Final findings (amount that servicing lender must remit to HUD)
Post claim review reference number
Beginning/end dates of the period covered
Amount actually collected
HUD-claim number (assigned to referrals for debt collection)
Date review was closed
Date referred for collection activities
Searchable free form/text field

D. SERVICE ASSIGNED NOTES – requires interface with the SAMS system
The service must fully support all functional requirements related to the HECM program Notes Servicing processes. Processes for Notes Servicing are listed in Section 5.1 B.2 through B.13, and are described as HUD performs them today. The SP will not necessarily handle these functions in the same way, but must ensure that the business function is included in the solution.

While the SP is responsible for ensuring the proposed solution covers all of the listed business functions, the National Servicing Center has a contract in place to perform the daily servicing of the assigned Notes. This contractor performs the same functions as the servicing lender does for non-assigned loans, including disbursing payments, making plan changes using the SP's solution the same way the servicing lenders will be. The SP is not responsible for performing these functions, but is only responsible for providing the solution that allows this separate contractor to service the assigned loans as is being done currently using SMART.

5.2 ACCOUNTING PROCESSES
The HECM SP must perform all accounting for each applicable transaction according to Federally Accepted Standards as outlined in the Joint Financial Management Improvement Program (JFMIP) of the U.S. Department of the Treasury. Specific requirements may be found at www.jfmip.gov and Appendix A contains a description of some of the additional processing that is currently being done in support of the FHA Accounting functions.

At a minimum the service will have the capability to:
- Obtain, store and display financial information about HECM Premiums, HECM Claims, HECM notes and HECM foreclosed properties acquired by or in custody of HUD
- Track accounting events and information describing the status of HECM premium, claims notes and real property
- Provide support for accounting operations to ensure that FHA's financial management functions meet Federal requirements for tracking budgetary resources and controlling funds. All accounting processes must comply with Financial Systems Integration Office (FSIO – formerly Joint Financial Management Improvement Program – JFMIP) and Federal Credit Reform Act standards
- Improve management and budgetary controls in the financial processes
- Provide support for accounts payable, payment, accounts receivable, billing, collection and budgetary accounting and control functions associated with FHA HECM management and associated contract services

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- Process HECM collections and disbursements via Treasury, commercial bank or other (Lockboxes and Pay.gov, etc.) systems.
- Provide the capability to exchange data with a number of HUD and non-HUD systems, including the existing FHA Subsidiary Ledger on a daily basis
- Provide standard and ad hoc reporting capability that integrates case tracking and financial management
- Facilitate summary, trend and comparative analysis of portfolio performance
- Provide ease of navigation and use for users at all skill levels

The SP will capture information regarding the financial transactions associated with HECM Premium Collection, refunds, claims, acquisition, maintenance, and disposal of HECM Notes or foreclosed properties owned or managed by HUD. The tasks involved in capturing, recording, and reporting these financial transactions through the SP are collectively referred to as the Accounting Process.

At a minimum accounting for HECM should use or be able to use:
- United States Standard General Ledger (USSGL) accounts (See Appendix B Sample Posting Model.) http://fms.treas.gov/ussgl/archives.html
- Program area accounting posting models designed by FHA
- Generally Accepted Accounting Principals (GAAP)
- Federal Generally Accepted Accounting Principals (FEDGAAP)
- Double Sided entries
- Minimum required chart fields (See Appendix)
- Interfaces with other systems (See Appendix)
- The Federal Credit Reform Act of 1990
- Other related accounting laws and requirements

There are five distinctively different activities within the Accounting Process that apply each module (HECM Premiums/Claims/Notes):
1. Maintain Accounting of Cases Inventory
2. Establish and Age Receivables, Receive and Post Collections
3. Prepare and Post Disbursements
4. Maintain General Ledger
5. Produce subsidiary reports to support control total sent to the General Ledger

These processes will be described in more detail under the HECM Premiums, Claims and Notes sub-headings.

5.2.1   Maintain Accounting of Cases Inventory
The accounting tasks associated with the maintenance of Accounting of Cases Inventory are:
- Adding endorsed or/and unendorsed cases, Note or Property to Inventory
- Capture and Record new cases, notes and send foreclosed Property information to property system (SAMS)
- Record termination of premium, disposition transactions for notes and/or property and remove from Inventory

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5.2.1.1 Accounting for HECM Premiums

The following describes the current process followed by the HECM accountants in the Accounting Branch. It is expected that the service will provide accounting processes to facilitate this function, while maintaining interfaces that are sent to the PeopleSoft General Ledger system (FHASL).

Each month the FHA servicing contractor sends a HECM Premiums monthly activity file with all the accounting transactions to FHASL. The file goes through the FTR process. With the correct chart fields (Case Number, SOA, Fund, Endorsement Date, Cohort, Vendor Category, Case Status), the journals are posted to the PeopleSoft General Ledger. The area accountant then logs into the PeopleSoft G/L and pulls the related area trial balances – 45R/46R/51R/42R. The accountant performs a three-way reconciliation by fund. The cash reconciliation validates the cash collection by fund/total to the total cash collected in the subsidiary. The supporting documents are the daily deposit tickets and the Subsidiary G/L Summary report. The cash collection validates the confirmed cash at Treasury against the total collection and collection in-transit is booked manually.

The automated file (70A) reconciliation process validates that the cash collected and other accounting transactions in the subsidiary under USSGL accounts are reported correctly by fund in the FHASL accounts. Currently insufficient fund (NSF) transactions are done manually because the process is not automated.

The HECM SP will perform all accounting activities associated with servicing HECM premiums, and will apply all applicable accounting standards to the requirements. The activities include, but are not limited to:
* Maintain inventory of endorsed/unendorsed cases
* Add new cases
* Collect initial and monthly premiums daily and send to Treasury via Pay.gov
* Process daily collection report for FHA Accounting
* Process and disburse premium refunds
* Process Insufficient Funds Transactions
* Update all transactions at the case and summary level
* Produce accounting reports to support all balances – A/R and A/P
* Record all journals at case level detail to support the General Ledger
* Produce a daily/monthly transaction file to send to the General Ledger
* Produce General Ledger Trial Balance with monthly/cumulative totals
* Provide ad hoc schedules to support receivable/payable balance
* Provide receivable schedule to prepare Treasury Report on Receivables
* Interface with Treasury – collections
* Interface with Lender Community- lenders update
* Interface with CHUMS- lenders update
* Interface with FHASL – update the General Ledger with premiums data
* Interface with SFDW – update the Data Warehouse
* Interface with HECM Notes.
* Interface with GNMA/FNMA

- Interface with Debt Collection Center

5.2.1.2   Accounting for HECM Claims

Currently, the claims process is done manually and data is passed between offices via Excel spreadsheets/reports. The service must provide this functionality in a manner that addresses current inefficiencies in the process. Single Family Claims sends an Excel spreadsheet with the claim types to Single Family Accounting. The accountant sorts the claims by claim type, edits the file to include the required chart fields (Case Number, SOA, Fund, Endorsement Date, Cohort, Vendor Category, Case Status), adds a journal identification and the file is uploaded to the General Ledger to record the claim payment.

The Lender Community should be able to submit their claims electronically and receive payment within 48 hours.

The HECM SP will perform all accounting activities associated with servicing HECM claims, and will apply all applicable accounting standards to the requirements. The activities include, but are not limited to:
- Maintain inventory of paid/unpaid cases
- Prepare file for daily disbursement daily and send to Treasury for payment
- Process daily collection including NSF transactions
- Process daily disbursement report for FHA Accounting
- Process void and stale check transactions
- Update all transactions at the case level
- Produce accounting reports to support all balances – A/P and A/R
- Process claim overpayments (produce bills, track and collect)
- Record all journals at case level detail to support general ledger
- Produce a daily/monthly transaction file to send electronically to general ledger
- Produce general ledger trial balance with monthly/cumulative totals
- Provide ad hoc schedules to support payable balance.
- Interface with Treasury – file with claims payment data
- Interface with FHASL – update the General Ledger with claims data
- Interface with SFDW – update the Data Warehouse
- Interface with FNMA/GNMA
- Interface with Debt Collection Center

5.2.1.3   Accounting for HECM Notes

A HECM note is assigned to the Secretary by the lender when the amount disbursed to the homeowner reaches 98% of the maximum claim amount. This is an option the lender can exercise.

Currently, FHA manages the servicing with contract support from the National Service Center –Tulsa. Under the current process flow the NSC begins their task once the lender meets certain criteria.

The SP will take over the functions identified below, currently found in the system being used by the NSC – Tulsa, including the accounting for HECM Notes.

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The accounting data from ~~the~~ NSC-Tulsa is interfaced with the FHASL (general ledger) monthly. The file goes through the FTR process. With the correct chart fields (Case Number, SOA, Fund, Endorsement Date, Cohort, Vendor Category, Case Status), the journals are posted to the PeopleSoft General Ledger. The accountant reconciles the data posted in the general ledger with the data from NSC-Tulsa.

The HECM SP will perform all accounting activities associated with servicing HECM notes, and will apply all applicable accounting standards to the requirements. The activities include, but are not limited to:
- Maintain inventory of all HECM notes at case level
- Prepare file for daily disbursement daily and send to Treasury for payment
- Process daily disbursement report for FHA Accounting
- Process void and stale check transactions
- Process daily collection including NSF transactions
- Process daily collection report for FHA accounting
- Update all transactions at the case and summary level
- Produce accounting reports to support all balances – A/P and A/R
- Record all journals to support servicing of HECM notes
- Record all journals at case level detail to support the General Ledger
- Produce a daily/monthly transaction file to send to the General Ledger
- Produce a General Ledger Trial Balance with monthly/cumulative totals
- Interface to SFDW – update the Data Warehouse
- Interface to SAMS – transfer foreclosed property data

The SP will allow Headquarters accounting personnel to change the financial classification of notes, properties or cases in the SP active inventory in order to maintain the correct financial status of a note and property.

5.2.2   Receive and Post Collections

The Receivables and Collections accounting process establishes receivables for monies owed HUD and captures, records, and reports the receipt of these monies from the following sources:
- External HUD organizations such as lenders, homeowners, insurance agents, contractors, attorneys, real estate brokers, settlement agents, and mortgage-related organizations via external automated systems
- Internal HUD organizations such as Cash Management Branch (CMB) and other HUD program offices

HUD receives a variety of funds (e.g., premiums, loan payoffs and receivables (e.g., insurance premiums and notes). Receivables will be automatically established by the SP. On a daily basis collection transactions will be loaded into the SP from three sources: the Lockbox Collection interface, the FEDWIRE Interface and PAY.GOV https://www.pay.gov/paygov/. The daily lockbox / pay.gov FEDWIRE interface files will be validated before they are posted. Collections that cannot be related to a specific case are retained in a suspense account until the case is identified.

The various outstanding receivables at the end of an accounting period shall be aged according to the length of time they have remained uncollected past the due date. The aging shall be reported as required by the Treasury Report on Receivables (TROR) http://fms.treas.gov/debt/TRORVerificationFY2008.html. The SP must be able to identify delinquent receivables, ensure that required data is provided in order to pass them over to the Debt Management Center in Albany for continued collection efforts. These items are also to be reported on the TROR.

5.2.3 Post Disbursements and Issue Payments

The disbursement process within the SP will set up requests for payments to homeowners, taxing authorities and other payees in support the HECM program. These payments will be made by EFT, Direct Deposit or Check, depending on indicators set for each payee. Payments on HECM assigned Notes made by check are processed by a HUD contractor. The SP Contractor shall provide an interface or other means to collect data from the HUD contractor confirming that checks have been mailed and cashed and display this data in the SP. The SP contractor shall provide an interface with the bank.

5.2.4 General Ledger

To report accurately the receipt of monies due HUD and payments made by HUD, as well as capture other appropriate financial transactions, authorized accounting personnel create and post journal entries to document the type and amount of the transaction. These journal entries are used to produce financial reports that identify:

• The number, type, and cost (in dollars) of premiums, claims and notes recorded on the SP database
• The number, type, and dollar amounts of monies due HUD
• The number, type, and dollar amounts of monies received by HUD
• The number, type, and dollar amounts of monies owed by HUD
• The number, type, and dollar amounts of monies paid by HUD
• The status of current, fiscal year-to-date, and inception-to-date financial accounts (based on an aggregate or roll-up of each property's journal entries)

Authorized personnel must be able to prepare and verify journal entries (resulting from case management and other accounting activities being performed); and record or post the verified journal entries to the SP General Ledger. Periodically, authorized accounting personnel will need to request a trial balance of the accounts in the SP General Ledger, and will prepare the necessary adjusting and closing journal entries necessary to balance and close the books for an accounting period. Accounting personnel can also request reports to be generated that accurately and completely represent the effects of financial and mortgage servicing management-related activities during an accounting period as well as for prior accounting periods.

5.2.4.1 GL Tasks

The tasks involved in closing the accounting period will begin with the preparation of the journal entries and end when the journal entries are posted to the SP general ledger using correct chart fields (Case Number, SOA, Fund, Endorsement Date, Cohort, Vendor Category, Case Status). The SP must facilitate and support the following business processes:

- Prepare necessary monthly/daily entries which identify, capture, and verify financial transactions in the form of case-specific journal entries to record HECM Premium activity, HECM Claims activity and HECM Notes activity as provided in the posting models or as needed to comply with all accounting regulations/standards
- Prepare monthly/daily General Ledger transactions
- Prepare quarterly and/or annual Accrual Journal Entries which identify by the posting model/program (i.e. Allowance entries)
- Close Accounting Period financial transactions in the SP general ledger, and update the FHA General Ledger in the PeopleSoft (FHASL) system)

5.2.4.2   Processing Criteria for Inventory

HUD financial management personnel must be able to set the parameters or criteria that will be used by the SP to monitor the financial classification and status of single-family HECM premiums, HECM claims and HECM notes. During their monitoring efforts, HUD financial management personnel request reports or perform queries to ascertain:

- The financial status of one or more types of financial transactions within the SP General Ledger, or
- How many and what kind of financial transactions have been recorded within a specified period, or
- Corrections needed to the financial classification that will result in journal entries being created that: 1) reverse the erroneous journal entries, and 2) post new journal entries using the correct financial classifications

Using the double-entry method of accounting, the SP will be required to process post financial transactions at the case level in the SP general ledger. The month-end closing procedures summarize these transactions for posting to the HUD general ledger. Each journal entry recorded in the SP database shall be retrievable by transaction type or accounting event using correct chart fields (Case Number, SOA, Fund, Endorsement Date, Cohort, Vendor Category, Case Status) and Journal Entry number.

In addition, for a specific accounting period, the SP will be required to calculate and display or report on:

- Beginning account balances
- Current activity balances
- Ending balances
- Month end case detail inventory

5.2.5   Reporting Requirements

The Contractor will develop financial reports that allow HUD staff and contractors to monitor and perform analyses of HUD's Single-Family HECM program. The SP must provide the capability to store report queries and formats, provide multiple levels of access to users to create, modify or read reports and provide user-friendly ad-hoc reporting functionality. The service must have the ability to export or launch data into an Excel format that allows the requestor to sort and format that data on both active and closed cases. The service must be capable of providing controlled access and be able to post required reports to users on or before their due dates.

5.2.5.1   Standard Reports

SF accounting personnel will provide hard copy examples of each required report at the delivery of the Functional Requirements Documents. In addition the SP will provide ad-hoc reporting support as requested by FHA's external auditors. These ad-hoc reports will be accounting documentation supporting the data from the subsidiary processes (HECM premiums/claims/notes).

The following is a list of standard reports but the SP will be requested to change/add/update reports due to changes to satisfy new accounting rules/ auditor's requests and/or business process.

PREMIUMS ACCOUNTING
Report on Daily Activities
- Collection report – daily/monthly deposit of HECM premiums with the U.S. Treasury Department
- Collection –sorted by cases; lender; initial premiums and monthly premiums
- Disbursement Refunds report
- Daily accounting activity files sent to the General Ledger
- Migrate case and related case detail to correct endorsement year

Report on Monthly Activities
- General Ledger (G/L) Summary/Source Trial Balance
- Collection –sorted by cases; lender; initial premiums and monthly premiums
- Reform – sorted by cases; lender; initial premiums and monthly premiums
- Accounts Receivable Report showing: beginning balances; establishments, liquidations and adjustments; and ending balances
- Refunds of collections showing: beginning balances; establishments, liquidations and adjustments; and ending balances
- Inventory report - : To support sources for collection by cases/lender/Initial premiums and monthly premiums
- Monthly transaction detail report to support the automated file sent to the general ledger

CLAIMS ACCOUNTING
Report on Daily Activities
- Disbursement report – daily/monthly disbursement of HECM claims with the U.S. Treasury Department
- Disbursement –sorted by cases and lender
- Collection report – daily/monthly disbursement of HECM claims with the U.S. Treasury Department
- Collection –sorted by cases and lender
- Daily accounting activity files sent to the General Ledger

Report on Monthly Activities
- General Ledger (G/L) Summary/Source Trial Balance
- Disbursement – sorted by case, fund, cohort and lender
- Accounts Payable Report showing: beginning balances; establishments, liquidations and adjustments; and ending balances

- Refunds of disbursement showing: beginning balances; establishments, liquidations and adjustments; and ending balances
- Inventory report - : To support sources for disbursement and collection by cases/lender/cohort and fund
- Monthly transaction detail report to support the automated file sent to the general ledger

NOTES ACCOUNTING
Daily Activities
- Collection and Disbursement reports – daily/monthly deposit of HECM notes with the U.S. Treasury Department
- Collection and Disbursement reports – sorted by case; fund and cohort
- Daily accounting activity files sent to the General Ledger
- Transfer case and related case detail to SAMS on foreclosed cases.

Report on Monthly Activities
- General Ledger (G/L) Summary/Source Trial Balance
- Collection/Disbursement –sorted by cases; monthly premiums/payments
- Collections and Disbursements –sorted by case; fund and cohort
- Accounts Receivable Report showing: beginning balances; establishments, liquidations and adjustments; and ending balances
- Refunds of collections showing: beginning balances; establishments, liquidations and adjustments; and ending balances
- Accounts Payable Report showing: beginning balances; establishments, liquidations and adjustments; and ending balances
- Inventory report - To support notes in inventory by case with detail- UPB, interest, fees and MIP
- Monthly transaction detail report to support the automated file sent to the general ledger

5.3 MANAGEMENT AND BUDGETARY REPORTING

FHA's Budget analysts must be able to retrieve data for required management and budget reporting to prepare the President's Budget, conduct policy analysis, develop budget cash flow models, complete Congressional, OMB, and FOIA requests, develop new products, and produce financial reports.

FHA's Office of Evaluation analysts must be able to retrieve data for required management reporting to Congress and other oversight entities regarding the performance of FHA's HECM Program, including ad-hoc Congressional, OMB, and FOIA requests.

FHA staff and Business Partners (servicing lenders, etc.), must be able to define regular and ad-hoc reports to be executed using a tool provided by the SP contractor. There will also be several standard reports that will be defined during the Business Rules and Processes phase. The SP will be responsible for generating the reports based on agreed-upon schedules and disseminating them to named recipients, or placing them in agreed-upon destinations (e.g. website or file name).

The Contractor must support all functional requirements related to the HECM program analysis, reporting and budget formulation processes. Processes are listed as HUD performs

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them today. The SP will not necessarily handle these functions in the same way, but must ensure that the business function is included.

The HECM SP will provide standard and ad-hoc reporting capabilities from the SP service that is vital to the effective monitoring of HECM loans, as described below:

To support the requirements of the Office of Budget, and the Office of Evaluation, the SP shall:
- Provide monthly download of case/loan level data to HUD's Single Family Data Warehouse (SFDW) as discussed under "Other HUD System Data Exchanges" in this document
- Provide accurate historical case level data for financial and budget cash flow models, and statistical or other analytical models. This includes capturing loan characteristics such as endorsement date, application date, SOA code, Initial Principal Limit, Maximum Claim Amount (MCA), Unpaid (Outstanding) Principal Balance, case status, etc; and capturing borrower characteristics such as borrowers' birth date, martial status, date of death, etc.
- Capture actual case endorsements, MCA, disbursements, claims by type, upfront and annual premiums, payoffs, and assignments in order to create budget estimates for the out years for budget formulation, policy analysis, calculation of credit subsidy rate, and credit subsidy re-estimates
- Ensure that reporting functions do not impede the functions being provided

The SP will provide the capability for the development of management reports that allow HUD staff and contractors to monitor and perform analysis of HECM. The SP service must be capable of: storing report queries and formats; providing multiple levels of access to users for creating, modifying or reading reports; and providing user-friendly ad-hoc reporting functionality. The service must be capable of exporting or launching data into a format that allows the user to sort and format that data in the desired manner and run queries on both active and terminated cases. Unless otherwise indicated, the SP will post required reports on or before their due dates.

5.4 SUPPORT FOR GINNIE MAE HECM SECURITIES
The following processes will be required to support proposed new functionality for the securitization of HECM loans by Ginnie Mae:

Validate HECM insurance status for cases in proposed Ginnie Mae pools
- Send monthly file to Ginnie Mae with case level identifiers (to be determined by FHA and Ginnie Mae) to verify insurance endorsements during the month

Special Procedures for insured HECM loans acquired by Ginnie Mae from an MBS issuer which defaults on its obligations
- Send immediate notification to Ginnie Mae of any failure by lender to make a timely payment to the borrower under the borrower's payment plan
- Process disbursements under the second note and mortgage to borrowers until loan is sold to new issuer
- Send monthly file to Ginnie Mae showing all amounts advanced to borrowers under the second notes and mortgages including principal, fees, interest accruals, and loan balances
- Receive monthly MIP from Ginnie Mae until loans are sold to new issuer

5.5 OTHER REQUIREMENTS

In addition to all of the above-stated requirements, there are other Business Area requirements that will need to be supported by the HECM SP. Internally, the HECM SP will need to provide support for HUD's four Homeownership Centers (HOCs) and other program areas within HUD Headquarters and at other HUD outstations. Externally, the SP will need to provide support for activities performed by lenders of FHA reverse mortgages.

5.6 QUALITY CONTROL

The Contractor will be responsible for the quality of all work under this SOW. The Contractor shall include in its proposal a Quality Control Plan that:

- Describes a strategy for ensuring that all requirements of the contract are met
- Identifies key management controls relative to data integrity
- Includes a plan for development and maintenance of Interface Control Documents that serve as agreements between interfacing entities and provides, at a minimum: frequency, data descriptions and file layouts, security measures to be taken, and other data as agreed to by HUD and the SP
- Describes a procedure for information security and consistency of service
- Includes a plan for corrective actions when deficiencies or insufficient performance results are identified
- Describes how the Contractor will ensure that employees adhere to high ethical standards

The Contractor will develop, maintain and implement a comprehensive Quality Control Plan (QCP) consistent with the preliminary quality control information submitted during the bid process.

The goal of the QCP is to verify that all deliverables and work products meet all of the project requirements, and that a repeatable, measurable process has been followed in their creation. The Contractor will identify tasks and responsibilities relevant to services provided by the SP. The Contractor will identify and conduct quality control reviews to ensure continuity during the life of the contract. The Contractor will document quality control procedures in the QCP and on a monthly basis, will record the results of quality control reviews in a Quality Control Summary Report.

The Contractor will provide the QCP for review and acceptance by the GTR as described in this SOW. The QCP is considered a living document and as such, will be revised by the Contractor as necessary. All changes to the QCP must be accepted in writing by the GTR in advance of implementation.

5.6.1 **Sub-Plans** – In addition to the requirements indicated above, the QCP will include sections or sub-plans that address contingency planning and business continuity, risk management, security and a quality control for ensuring business processes meet stated requirements.

5.6.1.1 Operations Performance Plan – To support monitoring of the performance of the SP functions, the Contractor will include a plan to monitor all aspects of the service (i.e., operational response times, call center response rates, resolution

rates, abandonment rates, customer satisfaction level, etc.). A sample of the types of information that should be monitored is contained in the table in Section 9. The Contractor will determine additional measures that are critical to the successful performance of the work. The plan will describe the technical approach and manual or automated tool(s) to be used to monitor performance and provide a format for operational reporting. The Quality Control Summary Report described below, will include a section detailing the results of the Contractor's performance of all standards identified in the Operations Performance Plan.

5.6.1.2 Implementation Plan - The Implementation Plan describes all activities, schedules, resources, and support planning efforts that will be employed to accomplish the transition from the current HECM process to the BSP. The Contractor will deliver a draft Implementation Plan to the GTR at the post award conference and will work with HUD staff, during the first ninety (90) days following contract award to finalize the plan.

5.6.1.3 Contingency/Business Continuity Plan – The accuracy and availability of the SP is critical to the integrity and financial stability of the FHA insurance funds. Time is of the essence in restoring service in any and all instances where the Contractor is unable to deliver the services required under this contract. As part of the QCP, the Contractor will develop, maintain and implement, a Business Impact Analysis, and a Contingency/Business Continuity Plan that addresses the gravest as well as the most likely problems that might arise and the Contractor's planned response to the adverse events. At a minimum, the plan will cover: subcontractor default; response to serious natural disaster as it affects the service; recovery from serious natural disaster as it affects the Contractor's operation; employee strike; civil disorder; power outages; computer viruses, information piracy; actual or suspected security breaches and major equipment or server failure.

5.6.1.4 Plan for Escrow of the SP Application – To protect the government from major business disruption that would result from of the SP Contractor going out of business or otherwise becoming a non-viable business concern, the Contractor will be required to place a copy of the source code, operations software and compiled code, along with documentation and the data already covered under the data rights clause, into an escrow. This requirement extends to any updates to the code base to reflect enhancements, patches or other code fixes, or any other configuration managed release or version upgrade, and the documentation for same. In its QCP, the Contractor will describe how it will implement this requirement, including any terms and conditions of the escrow arrangement.

5.6.1.5 Security Plan – The Security Plan will document the procedures or actions utilized by the SP that will assure the protection and securing of HUD information.

5.6.1.6 Verification Plan – The Contractor will provide a plan that identifies the nature and extent of verification necessary for a thorough evaluation of the SP. The plan

should include the schedule, the methodology to be employed and a written record of inputs, execution instructions and results of the verification.

5.6.2 **Quality Control Reviews and Summary Report** – The Contractor will conduct regular quality control reviews in accordance with its QC plan and, no later than the tenth (10) calendar day of each month, provide the GTR with a monthly report summarizing the results of its QC findings including any policy, procedural, personnel or changes or corrective actions taken as a result of the QC findings. The Contractor will establish a folder in the SP where monthly Quality Control Summary Reports will be posted.

5.6.3 **Weekly Meetings and Status Reports** – During Transition the parties will participate in regular weekly in-process review meetings at HUD Headquarters or at some other location and time that is mutually agreeable. Once the Conversion process is complete and the service is in full operational mode, these meetings will occur monthly. In preparation for the in-process review meetings, the Contractor will prepare an agenda one business day prior to the meeting, and bring copies to the meetings. The items to be included on the agenda shall be agreed upon by the Contractor and the HUD Project Manager. No later than two business days following the meetings, the Contractor will prepare minutes showing all items discussed during the meeting, any action items that were assigned, to whom they were assigned and when they were scheduled for resolution. One business day prior to the status meetings, the Contractor must deliver a Status Report that shows the status of all work being done on the contract, and that tracks all action items that arose as a result of previous meetings. Status Reports and In-Process Review Minutes should be delivered via e-mail to the GTR and GTMs for the contract.

5.6.4 **Briefing Materials** – During the performance of the contract, briefings will be required to be delivered to upper-level management or users affected by the implementation of the new service. The Contractor will work with the HUD Project staff to develop materials (PowerPoint presentations, Change Management documents, etc.) that will assist HUD in educating interested parties on the status and benefits of the service. Contractor staff may also be required to assist HUD Project Staff with meeting preparations and be on hand to answer questions that may arise during the briefing. Once approved, Briefing Materials should be delivered via e-mail to the GTR and GTMs for the contract.

5.6.5 **Corrective Actions** – When defective performance is noted through HUD's quality assurance activities, HUD may request that the Contractor correct the defective performance. The Contractor will, no later than five (5) business days following receipt of HUD's notice of defective performance, respond in writing to this request, describing the corrective actions taken, or to be taken, and when any outstanding corrective actions will be completed. If corrective action is not implemented, HUD reserves the right to take other remedies permitted by the contract.

5.7 OTHER CONTRACTOR-PROVIDED GOODS AND SERVICES

5.7.1 **General** - Except as otherwise expressly provided in this PWS, the Contractor will provide everything required to perform the services under a contract based on this PWS.

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The Contractor is responsible for knowing what items to furnish without specific mention.

5.7.2 **Contractor Expenses** - All costs of performance under a contract based on this PWS are to be at the expense of the Contractor unless otherwise specifically identified. The Department is purchasing an end result product and expects the bidder to factor all costs of delivering that product into the proposal.

When preparing the proposal, the bidder should price for uncertainty. The bidder must consider that the project will require complex coordination with many Program Areas in an institutional environment. For example, during the Transition Period the Contractor will work directly with an indeterminate number of people including Housing management and staff at Headquarters and in the HOCs, HUD ADP and IT personnel, and members of the project teams representing entities with whom the SP must interface. The bidder must consider the possibility of schedule delays and price accordingly.

5.7.3 **Resources** – The Contractor will provide a dedicated SP service facility and architecture framework to connect to and host the SP application and to store HECM data.

5.7.4 **Staffing and Key Personnel** – The Contractor will employ a sufficient number of experienced staff dedicated to this contract with technical capabilities to complete the deliverables in a timely, accurate, and concise manner as set forth in the scope of work. Key personnel, including a contract manager and alternate contract manager will be identified by name and resume in the proposal, and should possess the minimum qualifications stated below. Should there be a change in key personnel during the contractual relationship, the Contractor will guarantee that the replacement will meet or exceed the capabilities required to accomplish the tasks set forth in this contract, and the change must be approved by HUD. The Contractor will immediately notify the GTR upon termination of any employee with security access to HUD systems. The Contractor will never indicate that it represents HUD; instead, it will clearly state that it is under contract with HUD.

Accounting

The key Accounting contractor for this PWS shall possess skills in Federal Accounting that include the following minimum qualifications, and will provide oversight for the contractor's accountants supporting the three program areas:

o Strong accounting background
o Certified Public Accountant
o System accounting experience
o Technical writing skills

In addition to the minimum qualifications, it is preferred that the key Accounting contractor possesses the following skill set:

o Knowledge of FEDGAAP accounting
o Knowledge of credit reform accounting
o Knowledge of USSGL
o Knowledge of Housing programs, especially the HECM program

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Claims

The key Claims contractor for this PWS shall at a minimum possess skills that include the following qualifications:

o Experience with one or more data management platforms
o Proficiency in Access and Excel
o Some knowledge of gathering business requirements

In addition to the minimum qualifications, it is preferred that the key Claims contractor possesses the following skill set:

o Training and experience in mortgage claim processing
o Knowledge of HECM (reverse) claims and servicing processes
o Knowledge of statistical analysis

In addition to the above qualifications, the key Claims contractor will be required to perform the following functional responsibilities, and will therefore need the following:

o Communication skills both written and verbal
o Analytic and problem solving skills
o Business related Bachelors Degree or equivalent

Insurance-in-force Servicing

The key Insurance-in-force Servicing contractor for this PWS shall possess the following minimum qualifications:

o Three years work experience in loan origination and/or servicing home equity conversion mortgages (for loan origination and servicing experience to be deemed acceptable, the experience had to be acquired or performed under the direction of an FHA-approved lender with origination and/or servicing responsibilities; alternatively, training from HUD or a reputable reverse mortgage organization and/or company is required)
o Knowledge of statutory and regulatory directives, HUD handbooks, and mortgagee letters that are used to originate and service home equity conversion mortgages
o Knowledge of FHA's current MIP remittance policy and process

In addition to the minimum qualifications, it is preferred that the key Insurance-in-force Servicing contractor possesses the following skill set:

o Successful management of a reverse mortgage department for a minimum of two years
o Experience interpreting and communicating FHA policy guidance to internal and external personnel
o Experience remitting MIP and recalculating loan payment plan changes
o Skill with using FHA automated systems for originating, endorsing, and servicing FHA loans

In addition to the above qualifications, the key Insurance-in-force Servicing contractor will be required to perform the following functional responsibilities, and will therefore need the following:

o Ability to effectively manage workload under tight deadlines
o Experience conducting training and preparing training materials

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Notes Servicing

The key Notes Servicing contractor for this PWS shall possess the following minimum qualifications:

o   General knowledge of the full HECM lifecycle
o   Basic knowledge of HECM FHA-insured servicing
o   Skill in identifying and documenting business requirements
o   Technical writing skills
o   Ability to provide technical guidance to non-technical customers.

In addition to the minimum qualifications, it is preferred that the key Notes Servicing contractor possesses the following skill set:

o   Industry or FHA Training and specialized experience in originating HECMs
o   Industry or FHA Training and specialized experience in servicing HECMs
o   Knowledge of requirements for assignment of HECMs
o   Basic understanding of FHA mortgage insurance as it relates to loan termination and the HECM claims process
o   Current on all HECM-related HECM policies (mortgagee letters), HECM loan servicing procedures, and issues related to HECMs
o   Ability to assist in developing training materials relative to HECM servicing and the SP solution

In addition to the above qualifications, the key Notes Servicing contractor will be required to perform the following functional responsibilities, and will therefore need the following:

o   Excellent inter-personal communication skills, both written and verbal
o   Ability to provide senior level analytical and problem solving skills when addressing and resolving issues
o   Flexibility in working with a wide array of business partners (management and staff)
o   Ability to work under pressure
o   Ability to assess possible SP impacts, and recommend technical solutions for any pending FHA policy

Reporting

The key Reporting contractor for this PWS shall at a minimum possess skills that include the following qualifications:

o   Experience with one or more data management platforms
o   Proficiency in writing SQL scripts
o   Some knowledge of the data management lifecycle
o   Some knowledge of relational data modeling
o   Some knowledge of gathering business requirements
o   Technical writing skills

In addition to the minimum qualifications, it is preferred that the key Reporting contractor possesses the following skill set:

o   Training and experience in developing BI reports
o   Knowledge of dimensional modeling
o   Knowledge of statistical analysis

In addition to the above qualifications, the key Reporting contractor will be required to perform the following functional responsibilities, and will therefore need the following:
- o Communication skills both written and verbal
- o Analytic and problem solving skills
- o Related Bachelors Degree or equivalent

5.7.5 **Office Facilities** - The Contractor will maintain a business office appropriately staffed and equipped with computers, copying machines, software, hardware, servers, etc. Software utilized by the contractor must be compatible with HUD's computer environment. Software currently used includes Microsoft word, Excel, PowerPoint, Access and Adobe Acrobat pdf. HUD is not responsible for providing office space or equipment for Contractor staff.

5.7.6 **Business Hours** – At a minimum, the contract manager or alternate will be available during normal business hours – eight (8) a.m. to five (5) p.m. in the time zone in which the business office is located. If a meeting or telephone conference is required, it will be held in a location and at a time designated by the GTR.

5.7.7 **SP Operating Hours** – The SP should be up (i.e., accessible) on a 24x7 basis, but at a minimum it must be up during the working hours of a month, which are defined as 6 a.m. to 11 p.m. Eastern Daylight (Savings) Time on all weekdays except for holidays recognized by the Federal Government, and during any time period(s) required to support the data exchanges. The minimum up-time hours per month are approximately 360 hours.

5.7.8 **After Hours Response** – The Contractor will be available to respond to and resolve service related emergencies after regular business hours. The Contractor will maintain and monitor a phone number and an e-mail address that are available twenty-four (24) hours a day, seven (7) days per week, including recognized Federal holidays.

5.7.9 **Response Time** - The Contractor will provide prompt, courteous and accurate response to all inquiries. The Contractor will respond to telephone inquiries generally within four (4) hours of an inquiry being made or a trouble ticket being opened but no later than one (1) business day of the date the call was placed to the Contractor's office or the expiration of such shorter or longer period of time expressly authorized or required by this PWS. The Contractor will respond to written and electronic inquiries no later than two (2) business days following receipt of the inquiry or the expiration of such shorter or longer period of time expressly authorized or required by this PWS.

5.7.10 **Communications Log** - The Contractor will maintain a copy of all written correspondence and maintain an electronic log listing the source, subject, date received, response and resolution date of each written, e-mail or telephonic communication received. The Communications Log will be updated daily and available on-line.

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5.7.11 **Governmental Inquiries** – The Contractor will notify the GTR within twenty-four (24) hours following receipt of any request for information from an elected or public official and will, no later than two (2) business days of said request, provide written information to assist HUD in preparing a response.

5.7.12 **Other Correspondence** – Unless otherwise indicated in this PWS, the Contractor will provide written information to the GTR or other designated HUD representative no later than five (5) business days of HUD's request for information required to respond to correspondence related to the services provided under this contract.

5.7.13 **Written Notice** - Except as otherwise provided herein, all references to delivery or receipt of written notice between the Contractor and HUD will include notice delivered or received by electronic transmission. If HUD permits electronic transmissions between the Contractor and a Third Party other than HUD, the transmissions will comply with any standards HUD issues and as described in the Electronic Signatures in Global and National Commerce Act.

5.7.14 **Business Days** – Unless otherwise specifically stated in this PWS all references to days refers to business days, exclusive of Federal holidays.

5.7.15 **Annual Audit Requirement** - Annually, no later than ninety (90) calendar days before the expiration of each option year, the Contractor will promptly furnish the GTR with a current audited financial statement prepared in accordance with Generally Accepted Accounting Principals. Un-audited or compilation financial statements will not be accepted. The Government will use this information to determine the Contractor's financial responsibility and ability to continue to perform under the contract. Failure of the Contractor to comply with this requirement will subject the Contractor to possible rejection on responsibility grounds.

6. ADDITIONAL REQUIREMENTS

In awarding this SP contract, HUD will face significant risk with regard to its operations, consisting of loss of the SP vendor and supporting processes during the contract. In order to mitigate these risks as well as satisfy the requirements for the SP, the service requirements and specific risk-mitigation strategies are defined below, in addition to that contained in Section 5.6.1.3.

On a daily basis the SP will receive, send and retrieve automated data to and from other systems or data repositories as defined during the development of the Business Processes and Rules. Some of these repositories are internal HUD systems, such as the FHA Subsidiary Ledger (FHASL). Others are systems or data sources maintained by other HUD contractors. The text below provides general information regarding architecture and security, as well as a brief overview of the data exchange requirements for each system. Detailed data documentation of the record format for most of these exchanges will be defined during the development of Business Processes and Rules.

6.1 General SP Architecture

The SP will provide for the connectivity into the HUD network that shall be implemented in a manner compliant with current HUD requirements. Interfaces will be automated and managed so that duplicate data entry is eliminated and interface code and configuration will be reusable and repeatable, and that the synchronization of data exchanges across the involved systems will be preserved.

Technical Requirements - To provide capability for connectivity with HUD's network, the Contractor shall use the technical requirements for HUD workstations connecting to external systems as defined in HUD's Technical Reference Model, and as agreed upon by HUD's Office of the Chief Information Officer (OCIO).

Each HUD user has been setup with One-to-One NAT for each PC, used to access the applications. Each PC has its private IP address translated by the firewall to a public IP address visible from the Internet. The firewall and border router (outside the firewall) allow UDP port 500, and protocol number 50 (ESP) and 51 (AH) traffic through.

6.1.1 Web Based Technology – To provide full interoperability with other HUD and external systems the SP architecture must be Web-*based*, not Web-*enabled.*

6.1.2 Access – All users – including employees, business partners, and customers will have role-based access, independent of geographic location. The SP must be designed to accommodate a varied and disparate user population. This design must allow for future scalability, while accounting for changes in business practices and policies. If possible, the SP will utilize the same user ID and password as the user's current HUD ID in order to accommodate a single sign-on requirement described. The SP will ensure that a user's ID and password are authenticated at sign-in and that a user's class and security level restrict which functions can be performed. Additionally, the SP will provide an audit trail of each user's transactions. HUD anticipates that there will be approximately 1,500 users who will require access to the SP at the time of contract award. The list below indicates

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an example of user roles. The actual roles and descriptions to be used will be defined during the development of Business Processes and Rules.

JOB CODE	FUNCTION DESCRIPTION	COUNT
A1	Supervisory Accountant	4
CO	Certifying Officer	17
F1	FO Data Entry	33
F2	FO Supervisory	13
H1	HQ Housing, Gen Mgt	3
H2	HQ Housing, SF-Systems	2
Q0	Security Personnel	1
Q1	Read Reports Only	296
Q3	Help Desk Personnel	14
SU	HQ Supervisor	3
S1	HQ Contractor	6
S3	HQ Contractor	4
TM	HOC Technical Manager	73
TR	HOC Technical Representative	26
Total		**495**

6.1.3 **User Ids** – HUD currently utilizes Lightweight Directory Access Protocol (LDAP) servers to standardize user maintenance and authentication policies across systems. It is required that User IDs be synchronized between systems. This allows ID passing in a HTTP query string, thus identifying the requesting user to each system.

6.1.4 **Single Point of Entry** – HUD users will be required to utilize both internal FHA systems and the SP for completion of daily tasks; consequently, a seamlessly integrated user experience is needed. While a user may be cognizant of the system he/she is utilizing, all data and functions required for performance of tasks will be accessible from a single entry point. For example, Jane, a manager, may initially log into another FHA system to perform other activities on a given case. If she required operational data to support the data from the FHA system, a mechanism will be in place to hyperlink Jane to the SP for detail inquiry. Inversely, Jane will be automatically linked back to the FHA system upon completion of her research. All of this will occur while never leaving the same browser window.

6.1.5 **Application Messaging** – Interface design must support the use of modern, mortgage industry standards and technologies, be independent of platform or location and accommodate event-driven transactions. Application messaging (e.g., XML or JMS messaging) will be implemented to provide real-time or near-real-time interfaces between the SP and other systems. HECM currently interfaces with a number of HUD and external systems as identified elsewhere in this document. These interfaces represent the exchange of data between these systems, with HECM either receiving or sending the

data. The Contractor will continue to accept data from other systems and to continue to send data that other systems need.

6.1.6   **User Guide** – The SP must provide to HUD a complete set of user documents for all classes of users and covering all screens or web pages used to communicate with the service. These documents must be completed, approved and finalized before training users prior to conducting dual operation with current systems during the Pilot Phases. These documents must be updated as appropriate whenever the Contractor releases an upgrade, enhancement, or patch. HUD will own these documents during this contract and after the termination of this contract. These user guides must be acceptable to HUD for the purposes of fully explaining the functionality and use of the service, including screen shots and navigation, data input and reporting features, implicit business rules and validation edits, etc.

6.1.7   **Mirroring the SP Database to a Backup Database** – HUD will own all of the data in the SP. HUD intends to maintain a backup database to retain its data, both as a disaster contingency measure and to ensure that at the end of the contract term, the Department has access to the data in a format that its systems can read and understand. The Contractor will work with HUD staff and contractors to develop a script for population of the backup database based on specifications to be provided by HUD, and to document procedures for populating this database with data migrated from HECM and with subsequent postings to the SP database. Once the script and procedures have been approved, the Contractor will submit them to the GTR and work with HUD staff to implement the process. Beginning with a timeframe agreed to by HUD and the SP, this process will be executed monthly.

6.2   **FHA Subsidiary Ledger / PeopleSoft / HUD Financial Management System**
FHA has implemented PeopleSoft as the standard for financial software as part of the Enterprise Architecture project and is currently modifying the FHA Subsidiary Ledger (FHASL) to provide additional HUD users real-time access to financial data. FHASL is a Web-based COTS package that provides robust applications for general ledger accounting, accounts receivable management, billing, funds control, payables and vendor management, and project costing. In addition, HUD's Office of the Chief Financial Officer (CFO) is in the process of procuring a new Financial Management product that will be implemented within the next few years.

While the SP will perform all Federal Accounting and interface with the FHASL in the beginning, FHA's ultimate goal is to move all financial processing under its Financial Management systems. Once FHASL is positioned to perform the full financial processing, the SP will provide for the performance and monitoring of reverse mortgage functions, whereas FHASL will accommodate financial management. The SP will be required to support the move to this new configuration, based on mutually agreed upon scheduling, at a future date. A separate task will be negotiated at this time, but the SP should be prepared to propose how it would modify the service to accommodate this change.

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The FHA Subsidiary Ledger resides within the HUD/FHA systems environment, and provides functionality for general ledger accounting and various processes related to financial management and funds control. However, FHASL delivers a broad range of functionality apart from core financial accounting including general ledger, accounts receivable, accounts payable, billing, purchasing and project costing. Specific functions related to reverse mortgages include:

6.2.1 **Vendor / Customer Management** – A vendor includes all external parties receiving a payment from HUD, or from an agent on behalf of HUD, in exchange for goods or services. A customer is an entity from whom HUD expects to receive money and therefore needs to create an account receivable. The most frequent customers in the reverse mortgage process will be loan servicing lenders. The Vendor Management function involves the recording and maintenance of vendors within the FHASL system. The SP and Government staff will work with FHASL to determine interface requirements and an implementation plan for sharing vendor information between the two entities. Until that time, the SP will maintain full vendor information. At such time as interfaces are implemented, both entities shall provide the functionality to capture varying vendor / customer classification data (e.g., types or groups). Standard industry classification codes (SIC) may be used, as well as FHA descriptive codes (e.g., repair contractor types, service codes, etc.). Additionally, minority-owned, woman-owned, and small-business classifications must be maintained. All codes shall be synchronized between systems and the SP shall have the ability to update vendor / customer information and pass updated information to FHASL, when feasible.

6.3 **Other HUD System Data Exchanges**

6.3.1 **Computerized Home Underwriting Management System (CHUMS)** – The SP will exchange data with CHUMS to both receive case establishment and Upfront MIP due, and to transmit advice of MIP receipt.

6.3.2 **HUD Geo Coding System** – The A15 Geo-Coding Service Center provides a repository of geographic data identifying localities where HUD does business. The localities include HUD Regions, States, Counties, Localities, Congressional Districts, HUD Field Offices, HUD Indian Offices and Regions, and Metropolitan Statistical Areas. The geographic coordinates for properties are used to determine whether or not a case falls within a HUD revitalization area. The HUD Geo-Coding Center provides such information as Census Tract, FIPS State Code, County Code, Metropolitan Statistical Area, and Congressional District and longitude and latitude. The address validation and revitalization flags are set in the geo-coding process and must be stored in the SP.

6.1.3 **Institution Master File (IMF)** – Through the F51 IMF the SP will receive a list including lender names, lender ID's, bank account and contact information for FHA mortgagees. This information will be used by the SP to validate lender participation in HUD mortgage insurance programs and to remit claim payments to the mortgagees account via EFT.

6.3.5 **Single Family Data Warehouse (SFDW)** – A monthly batch job will extract case information from the SP database to produce a case data file export for the Single Family Data Warehouse (SFDW). In addition, a yearly export provides SP archived case information to the SFDW to support data inquiries. Detailed requirements for both batch jobs can be found in the SFDW Interface attachment on the procurement website.

6.4 **External System Interfaces**

6.4.1 **United States Department of the Treasury** – Federal payments must go through the Department of the Treasury using the pay.gov process as described on the Department's website. The SP will be required to interface with Treasury for both payments and collections.

6.4.2 **Risk Based Targeting Model** – Monthly ad hoc jobs will execute to provide SP data to a HUD contractor performing file review and other data management services and generate six (6) reports. The data extract is used to populate HUD's Risk Based Targeting Model that displays portfolio data.

6.4.3 **National Training Institute Corporation (NTIC)** – On a quarterly basis, the SP shall export three (3) data files (active records, records that closed within the last three months, and records that have terminated within the last three months) and a text-based cover sheet that describes the file content, layout, and related record counts to the National Training Corporation (NTIC).

6.5 **Security**
See Section 10 for information regarding Internal Controls and Compliance, and a requirement for SAS 70 Type II auditing, in addition to the Security requirements listed below.

6.5.1 **Security Access** – Due to the sensitivity of property and vendor profile data, access to the SP and other HUD systems will be limited to individuals based upon their specific duties and the security of the service and/or system. As a condition of obtaining access, Contractor employees requiring access to HUD systems will submit to the GTR an original and one copy of completed Standard Form 85P, Questionnaire for Public Trust Positions, Optional Form 306 and 21-D258 Finger Print Chart. Contractor staff may be required to provide other background information as deemed appropriate for the requested security access level. HUD may grant, deny, or revoke an individual's access rights to a HUD system based upon the results of the security background check of the individual. The Contractor will provide written notification to the GTR no later than one (1) business day of termination or resignation of any employee granted HUD systems access or when there is no longer a need for access to HUD systems by any Contractor employee. The Contractor will maintain an up-to-date list that identifies contract employees with access to each of the information systems and the justification for each employee's level of access. The Contractor will not provide access to individuals until HUD provides written authorization. The Contractor must provide access to users identified by HUD without imposing additional access requirements.

6.5.2 **Security Administrator** – The Contractor will designate a Security Administrator (SA) no later than ten (10) days after the Contract Award Date. The Administrator shall use forms provided by HUD to initiate requests for user access and to request access modifications and deletions. The SA shall certify that all staff have received instruction in security issues, are familiar with the contents of the current version of HUD Handbook 2400.24 Rev. 2, Information Security Program, and have completed the HUD's Computer Based Training program.

6.5.3 **DMZ Configuration** – Web servers will reside in a publicly accessible Demilitarized Zone (DMZ) environment. The SP will support FHA's reverse mortgages; therefore, HUD will not maintain or purchase supporting hardware. As the SP will reside outside the HUD environment, the Contractor is required to establish and enforce appropriate security and access policies.

6.5.4 **Equipment Security and Safeguards** – The Contractor shall meet all Federal requirements for storage and handling of Federal records.

6.3.5 **Section 508 Requirements** – Unless otherwise specified, all deliverables under this contract shall comply with 36 CFR §1194.23, U. S. Architectural And Transportation Barriers Compliance Board (Access Board) Standards – Telecommunications Products, 36 CFR §1194.31, U. S. Architectural And Transportation Barriers Compliance Board (Access Board) Standards –Functional Performance Criteria and 36 CFR §1194.41 U. S. Architectural And Transportation Barriers Compliance Board (Access Board) Standards –Information, Documentation and Support under the authority of Section 508 of the Rehabilitation Act Amendment of 1998, 29 USC§794d. In order to comply with these standards, the Contractor shall submit all copies in a format readable by the technology program that assists the user, JAWS (HUD's standard screen reader). To view the entire text on 36 CFR Part 1194, go to www.section508.gov or www.access-board.gov and for Federal Acquisition Regulation Subpart 39.2 go to www.arnet.gov/far.

6.5.6 **Information Security** - Neither the Contractor or any of its employees or affiliates will disclose, or cause to be disseminated, any information relating to the services hereunder to any person not entitled to receive it. Failure to safeguard any sensitive information that may come to the Contractor or any person under his/her control in connection with work under this SOW, may subject the Contractor or its agents or employees to criminal liability or termination for default.

6.6 **Customer Support/Help Desk**
The Contractor shall operate a Help Desk to provide assistance to the users, administrators, contractors and auditors relative to the operation of the SP. The primary contact between users and help desk staff is via telephone and e-mail. The Help Desk must be staffed from six (6) a.m. to eight (8) p.m. (EDT), Monday through Friday, except for Federal holidays, with sufficient staff to ensure that customer inquiries are resolved on the first call and that customers receive a response within four (4) hours.

6.6.1 **Address/Resolve/Refer User Problems** – In operating the Help Desk, the Contractor will provide support for answering a query or opening a trouble ticket, classifying a

problem against a Contractor-proposed protocol, based on problem criticality and severity, tracking the resolution of queries or trouble tickets, performing problem resolution and escalation, reporting general program status, and answering technical questions. Help Desk personnel will be required to guide users step-by-step through the problem solving process from problem diagnosis through problem resolution. The Contractor's phone operators will have on-line, read-only access to SP data to facilitate responses to callers. The Contractor will refer questions of a policy nature to the GTR. The Contractor will develop written procedures and provide the GTR with a copy of its Help Desk Procedures for approval no later than ninety (90) days following contract award.

6.6.2 **Answer and Record User Calls –** The Contractor will document each user call and follow-up with users, as required to ensure timely problem resolution and satisfactory customer support. When a problem has been resolved by the Help Desk, the Contractor will document the corrective action(s) taken and indicate that the problem has been closed satisfactorily. For tracking purposes, the Contractor will categorize and record call by type and other demographics that the Contractor determines to be valuable. All calls and inquiries will be logged and reported in the monthly Help Desk Status Report.

6.6.3 **Notification of System Non-availability –** Those problems requiring an interruption of service to HUD users must be reported to the GTR with a written plan for resolving the problem. Whenever the SP is unavailable during normal operational hours the Contractor will notify HUD users by contacting the GTR, the GTMs, the four (4) Homeownership Centers and the main office of each major servicing lender site. A list of contact points will be provided by the GTR.

6.6.4 **Help Desk Information Distribution –** The Contractor will distribute informational materials via e-mail such as "quick tips" or "frequently asked questions" to assist HUD users.

6.6.5 **Monthly Help Desk Status Report –** The Contractor will monitor and report Help Desk status to the GTR. This includes a daily check of help desk status, reporting on problem categories, problem resolution times, and problem severity levels and recommendations on ways to reduce recurring problems. This information will be included in the monthly Help Desk Status Report.

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7. TRANSITION

When responding to the RFQ, the SP will be required to develop and execute an implementation strategy that will allow a logical, progressive, and efficient implementation of the new application that supports the business with no loss of information or functional capability during the transition from legacy to new. Duplication of data entry is not allowed.

In order to provide for a rapid, seamless, and error-free transition from HECM to the SP, the transition process will be implemented in four (4) phases. The entire Transition is scheduled to take nine (9) months from date of award. The graphic below displays the Transition phases. When the Contractor has demonstrated that the SP can support all requirements, the GTR will provide written acceptance of the SP, the Contractor will assume total control for property disposition data and HECM will be discontinued.

7.1 Roles and Responsibilities During Transition

Throughout Transition, both HUD and the Contractor will have the responsibility to work constructively to resolve issues related to execution of the SOW.

The Contractor will develop a Transition Plan that provides for the least amount of participation possible by HUD staff and contractors outside the HECM Team (e.g. CHUMS, SFDW, FHASL or SMART systems' staff).

The HUD HECM Transition Team will make every effort to provide the Contractor with data and documentation from the existing systems/processes, but makes no warranty regarding the availability, accuracy or extent of coverage provided by said documentation. The Contractor will utilize the afore-mentioned documentation to generate the maximum percentage of the Business Rules and Processes (BRP) document(s) after which, HUD staff will be available for meetings to finalize the BRP documents on a schedule that is approved by the HUD staff affected.

7.1.1 Weekly Meetings and Status Reports

Weekly Meetings and Status Reports – During Transition the parties will participate in regular weekly in-process review meetings at HUD Headquarters on Wednesdays. In the event that the parties agree there is a reason to hold one of the meetings elsewhere, the meeting will be scheduled at some other location and time that is mutually agreeable. In preparation for the weekly meetings, the Contractor will prepare an agenda no later than one business day prior to the meeting, and bring copies to the meetings. The items to be included on the agenda shall be agreed upon by the Contractor and the HUD Project Manager. No later than two business days following the meetings, the Contractor will prepare and deliver via e-mail minutes showing all items discussed during the meeting, any action items that were assigned, to whom they were assigned and when they were scheduled for resolution. One business day prior to the weekly status meetings, the Contractor must deliver a Weekly Status Report that shows the status of all work being done on the contract, and that tracks all action items that arose as a result of previous meetings. In addition, the Weekly Status Report should include a description of all calls received by the Help Desk during the initial six months of the Help Desk's operation. Weekly Status Reports and In-Process Review Minutes should be delivered via e-mail to the GTR and GTMs for the contract.

7.1.2 **Site Visits** – As necessary or desirable to execute the requirements of the contract or perform monitoring and oversight, HUD may require the Contractor to facilitate site visits to the Contactor's place of business. Also, the Contractor may have a business need to request site visits to facilitate systems interface or other contract requirements. Such requests will be communicated to the GTR who will assess the need and provide logistical assistance when appropriate and possible.

7.1.3 **Notification of Changes** – The Contractor will notify the GTR of any pending changes or decisions that potentially may cause a negative impact on the ability to perform as required under the contract or to end-user's ability to access the SP hosted server or application support. HUD will notify the Contractor of any pending changes or decisions that potentially may cause a negative impact to the Contractor's ability to deliver the required services.

7.2 **Phase I – Project Preparation**
During Phase I the Contractor will resolve all issues related to staffing and facilities and begin to finalize the required Plans. The Contractor will work with HUD to establish a Transition Team comprised of Contractor and HUD staff that will begin to finalize the data requirements and the Contractor will research the systems landscape and the required interface structures. Phase I will end thirty days from the date of contract award.

7.2.1 **Post-Award Conference** – The Contractor will attend a post award conference scheduled within (10) days after the contract award date or at another time acceptable to all interested parties. Forty-eight (48) hours prior to the conference, the Contractor will bring forward in writing any issues with the requirements of the procurement providing explanations and or justifications for recommended modification of language or intent of the contract action.

7.2.2 **HUD Responsibilities** – At the post-award conference HUD will provide:
- A calendar of monthly business processing cycle/schedule events
- A list of current system users and levels of security access
- Names and contact information of key HUD staff who will comprise the HUD Transition Team
- Proposed dates when (by mutual agreement) the Contractor and the HUD Transition Team will meet to review in detail and refine HUD's final business requirements
- Proposed dates for weekly status meetings during Transition and for monthly contract reviews following transition

7.2.3 **Contractor Responsibilities** – During Transition the Contractor will have the following responsibilities:

    7.2.3.1 **Business Facilities** – At the post-award conference the Contractor will notify HUD of its permanent business address and will confirm that its offices are fully furnished and equipped in accordance with the requirements of the contract.

    7.2.3.2 **Staffing** – On or before the post-award Conference, the Contractor will provide an organizational chart designating primary and alternate Contract

Managers, key personnel and subcontract partners expected to execute the contract requirements showing lines of authority and accountability. Changes to key personnel contained in the Contractor's proposal must be approved by HUD in advance.

7.2.3.3   **Security Administrator** – At the post award conference or within ten (10) days of contract award, the Contractor shall provide the name of its security administrator to the GTR.

7.2.3.4   **Quality Control Plan (QCP)** – On or before the date of the post-award conference, the Contractor will deliver one hard copy plus and electronic version of the draft QCP and all subparts. HUD will review and accept or comment on the QCP and provide comments to the Contractor within ten (10) days of receipt. The Contractor will make changes based on the feedback provided by HUD and return the QCP for final approval within ten (10) business days following receipt of HUD's comments if any. However, the Contractor will have until the ninetieth (90th) day following contact award to return the final Verification sub-plans to the GTR. Following final acceptance of the Plans, the Contractor will obtain GTR approval of any changes prior to implementation.

7.2.3.5   **Implementation Plan** – On or before the date of the first kick-off meeting, the Contractor will deliver one hard copy plus and electronic version of the draft Implementation Plan. The GTR will provide written comments within ten (10) business days. The Contractor will work with the HUD Project staff to ensure that the Implementation Plan is satisfactory, and return the final, approved Implementation Plan to the GTR no later than the ninetieth (90th) day following contact award as part of Phase II.

7.2.3.6   **Security Documents** - The Contractor will complete and provide Standard Form 85P, Questionnaire for Sensitive Positions; Standard Form OF306, Declaration of Federal Employment; Standard Form 87, Finger Print Card; and a Certificate of Independence regarding FHA-insured mortgages for each employee, no later than thirty (30) days from the date of contract award or five (5) days from hiring new employees. Any expense relating to this requirement will be borne by the Contractor. Any employee failing to submit the required documentation or determined to be a security risk will be prohibited from any association with this contract. The GTR reserves the right to restrict the approval of any individual as an employee under the contract or any subcontracts for any reasonable cause.

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7.3 **Phase II – Business Blueprint**

7.3.1 **Refine Business Requirements -** No later than twenty (20) days from the date of contract award the Contractor and the HUD Transition Team will begin a series of face-to-face or telephonic meetings to review and refine the final business requirements, interface protocols and business rules.

7.3.2 **Customer Support Services** – The Contractor will establish the framework for the call center services that are needed in order to support the SP services. The Contractor will also provide details about the current ratios of agents to employees or desktops, process flows, escalation and service level rules and commitments for the HECM operation. On or before the ninetieth (90th) day following contract award, the Contractor will provide the GTR with a copy of its Help Desk Procedures.

7.3.3 **Software Escrow Agreement** – No later than the ninetieth (90th) day following contact award the Contractor will formally document with HUD its agreement to place the SP application source code, operating software, compiled code, and any documentation into an escrow status. The Contractor will identify the holding entity and all applicable contractual terms and conditions as have proven acceptable to HUD. The Contractor will also identify a URL at which it intends to maintain a list of all supported products, artifacts or documentation that denotes HUD's interest in the SP service (specifically for the SP provided proprietary and/or third party source code).

7.3.4 **Completion of Implementation Plan** – The revised Implementation Plan to be delivered at the end of this Phase shall serve as a blueprint for completing the transition from the existing automated and manual HECM processes to the SP. This version of the Implementation Plan shall be delivered to the GTR no later than the ninetieth (90th) day following the contract award. At a minimum the Implementation Plan will:
- Identify each step in the work process required for completing the transition and the period of time needed to accomplish each step, expressed in terms of calendar dates
- Describe the planned schedule and the approach for each task
- Identify the staff and the other resources allocated to each task
- Describe the rationale for project organization, staff utilization, and other resources allocated to each task or activity
- Define the support activities, schedules, curriculum, methods and tools, and equipment required for training

7.4 **Phase III – Realization – Integration, Data Migration, Verification**
Upon approval of the Implementation Plan, but no later than ninety (90) days from contract award, the Contractor will begin initial steps to facilitate the integration and data migration tasks.

7.4.1 **Integration** – No later than one hundred eighty (180) days from the date of contract award or in accordance with the approved Implementation plan, the Contractor will have established data exchange capability with all HUD and external systems and applications.

7.4.2 **Data Migration** – The Contractor, with the assistance of HUD personnel, will be responsible for preparing the active and inactive case data for conversion, currently residing in HECM databases, no later than one hundred eighty (180) days from the date

of contract award. The Contractor will: document the data conversion activities; analyze existing data to identify necessary cleansing prior to conversion; work with HUD staff to develop a data cleansing plan; execute the data cleansing in conjunction with the data conversion process; produce a plan to be performed for the purpose of assessing whether the HECM data has been converted properly including the criteria for making the determination; modify the data conversion assessments until the results are satisfactory; execute the conversion assessment plan; and do all such other things necessary to ensure that the conversion of the HECM data is successfully achieved. The Contractor warrants that the HECM data, when migrated in accordance with the SOW, will accurately reflect the data that existed prior to migration and comply with SOW specifications. In the event that the HECM data is amended or otherwise edited or enhanced in the course of the data conversion process, the Contractor warrants that the HECM data when migrated complies with the SOW specifications.

7.4.3   **Verification** – No later than one hundred eighty (180) days following contract award, the Contractor will certify for the Contract Officer and GTR that all verification activities are complete and the service is ready for Pilot Operations.

7.5   **Phase IV – Pilot Operations**

7.5.1   **Dual Operation** – No later than one hundred eighty (180) calendar days following contract award, the Contractor will notify the GTR that it has completed verification of the first module and is ready to begin full operation. Between the one hundred eightieth (180th) calendar day and the two hundred seventieth (270th) calendar day following contract award, the SP will operate all four modules in parallel with the existing processes, according to the schedule described in the Implementation Plan to verify that the service includes all functional requirements of the contract, that operational performance meets HUD's minimum performance standards and to identify and correct any deficiencies.

7.5.2   **User Guides and Training** – Prior to performing pilot operations of each module, the Contractor will provide to HUD a complete set of user guides, and will provide training and training materials to all users in accordance with the training plan component of its approved Implementation Plan. At a minimum the training will include:
- Written User Guides and TIP Sheets in hard and/or electronic format that are available to all users
- A minimum of two (2) classroom-training sessions at each of the four (4) HOCs (or via net-meeting facilities) and HUD Headquarters
- At least four (4) additional classroom-training sessions at locations convenient for the Tulsa Servicing Center and FHA HECM servicing lenders, or via net-meeting facilities
- On-line tutorials

7.5.3   **Help Desk** – The Contractor will make available extra staff to accommodate an anticipated increased volume of user assistance calls during pilot operations.

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7.5.4 **Pilot Operation Results and Deficiency Corrections** – The Contractor will generate a Pilot Assessment Report for each of the four modules that will identify the results of initial pilot operations and plans for making corrections or changes to the service in response to these results. Upon receipt of notification from HUD of any deficiencies, the Contractor will immediately research the issue and within five (5) days, will either resolve the problem or present a corrective action plan and timeline for approval by the GTR. Each of these deficiencies is to be included in the Pilot Assessment Report that is due within 45 days of the start of Pilot Operations for each module.

7.5.5 **Certification and Final Conversion** – No later than the three hundred fourtieth (340th) day following contract award the Contactor will certify to the GTR that the service is ready to operate on a stand-alone basis. Upon written acceptance of said certification by the GTR, the Transition will be formally concluded, any remaining data and other conversion activities will be performed and validated, use of the previous HECM system will be discontinued, and the Contractor will begin full operational services under the contract and will be entitled to bill monthly service fees as described in Section B, Option Periods 2 through 5.

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8.   SCHEDULE OF DELIVERABLES

This section outlines the schedule of deliverables for the contract. Softcopies of written deliverables are to be provided in HUD-standard format on CD to the GTR in the timeframe specified. Application software delivered for pilot (UAT) purposes is required to be fully functional and to meet all requirements. The SP Application must have been fully tested and certified by the Contractor that it complies with all of the SOW specifications. Issues that are discovered during the pilot period must be corrected prior to full production implementation, unless otherwise agreed by the GTR and GTMs.

The following is the schedule of deliverables for the base period, also known as Task I.

Title of Deliverable	Due Date	Unit and Quantity
Management documents **(Section C, page 6, paragraph 3; 5.6 through 5.6.2)**	Within 30 days after award, then at the end of each month	1 Set Initial Documents 11 Monthly Updates
Weekly Status Reports **(Section C, page 6, paragraph 3; 5.6.3; 7.1.1)**	COB Weekly on Fridays	52 Status Reports
In-Process Review Agendas and Minutes **(Section C, page 6, paragraph 3; 5.6.3; 7.1.1)**	Weekly	52 Agendas 52 IP Review Minutes
Briefing Materials **(Section C, page 6, paragraph 3; 5.6.4)**	As Needed	4 Presentations
Functional Requirements 1) Underwriting/Servicing, 2) Claims/Notes, 3) Accounting, and 4) Reporting and Other **(Section C, page 5, paragraph 5; 7.3.1)**	Within 90 days after contract award	4 Business Process and Rules Documents
Underwriting/Servicing Implemented for Pilot **(Section C, 5.1 A and B; 7.5.1)**	Within 180 days after award	Underwriting/Servicing
Claims/Notes Implemented for Pilot **(Section C, 5.1 C and D; 7.5.1)**	Within 200 days after award	Claims/Notes
Accounting Implemented for Pilot **(Section C, 5.2; 7.5.1)**	Within 220 days after award	Accounting
Reporting and Other Implemented for Pilot **(Section C, 5.3 through 5.5; 7.5.1)**	Within 240 days after award	Reporting and Other
Training Developed and Executed 1) Underwriting/Servicing, 2) Claims/Notes, 3) Accounting, and 4) Reporting and Other **(Section C, page 5, paragraph 6; 6.1.6 (documents); 7.5.2)**	Within 7-14 days before each pilot implementation	4 Training Sessions plus written Training materials
Pilot Assessment 1) Underwriting/Servicing, 2) Claims/Notes, 3) Accounting, and 4) Reporting and Other **(Section C, page 5, paragraph 7 – continued on page 6; 7.5.4)**	Within 10 days after the completion of each pilot period	4 Pilot Assessment Reports plus implementation of corrections
Correct Pilot Discrepancies and Perform full Implementation **(Section C, 5.6.5; 7.3.4 (plan); 7.4; 7.5.4; 7.5.5)**	Within 360 days after award	Correct Discrepancies Convert Data and cutover to full Operational Mode
Provide Monthly Reports, Help Desk Support, Operations Services & Operational Updates **(Section C, page 6, paragraph 2; 5.6.5; 6.6; 7.3.2)**	During Pilot, Training and Installation processes	Reports/Help Desk/Ops Operational Updates

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The following is the schedule of deliverables for the remaining years of the contract, also known as Tasks II thru V.

Title of Deliverable	Due Date	Unit and Quantity
Management documents (Section C, page 6, paragraph 3; 5.6 through 5.6.2)	At the end of each month	12 Monthly Updates
Monthly Status Reports (Section C, page 6, paragraph 3; 5.6.3)	Monthly	12 Status Reports
In-Process Review Agendas and Minutes (Section C, page 6, paragraph 3; 5.6.3)	Monthly	12 Agendas 12 IP Review Minutes
Briefing Materials (Section C, page 6, paragraph 3; 5.6.4)	As Needed	4 Presentations
Provide Monthly Reports, Help Desk Support, Operations Services & Operational Updates (Section C, page 6, paragraph 2; 5.6.5; 6.6; 7.3.2)	On-Going	Reports/Help Desk/Ops Operational Updates

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9. MINIMUM PERFORMANCE STANDARDS

The PWS specifies specific performance requirements that the Contractor must meet. All of the requirements in the PWS are critical to successful achievement of the Government's performance objectives. The Minimum Performance Standards (MPS) Summary identifies the performance requirements that are the most critical to minimizing risks and maximizing returns during the Operational phase of the contract; therefore, these requirements are the focus of quality assurance activities to be addressed in the Quality Control Plan. The table includes information about the frequency of surveillance, and the rate to which the Contractor must meet the performance requirements. The MPS will assist HUD in ensuring that the appropriate performance standards are being measured and will provide standards against which the Contractor may monitor its own performance.

No.	Performance Measure	Quality Assurance Procedure	Frequency	Minimum Satisfactory Rating
1	SP is available to all authorized end-users	GTR verification via operational reports generated by the Contractor's tool(s), which the Contractor must certify as accurate and correct	Monthly	99.5% for up-time - based on the working hours of a month
2	SP is available at an acceptable level of performance in terms of transaction processing response times as proposed and accepted in the Quality Control Plan	GTR verification via operational reports generated by the Contractor's tool(s), which the Contractor must certify as accurate and correct	Monthly	Target transaction processing response times are met at least 95% of the time; exclusive of any latency in HUD's network or the Internet or other environmental factor outside of the Contractor's control
3	SP is available at an acceptable level of performance in terms of query and reporting	GTR verification via operational reports generated by the Contractor's tool(s), which the Contractor must certify as accurate and correct	Monthly	Target query and reporting response times are met at least 95% of the time; exclusive of any latency in HUD's network or the Internet or other environmental factor outside of the Contractor's control.
4	Messaging occurs at an acceptable level of performance	GTR verification via operational reports generated by the Contractor's tool(s), which the Contractor must certify as accurate and correct	Monthly	100% - measured as immediate delivery or error corrected and message re-delivered within 4 hours
5	Help Desk responds to customer inquiries or trouble tickets within 4 hours of the inquiries being made or the trouble tickets being opened	GTR verification via operational reports generated by the Contractor's tool(s), which the Contractor must certify as accurate and correct	Monthly	95%

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6	First call/interaction resolution rate (i.e., the percentage of new customer problems that are resolved on the first interaction with the customer) as proposed and accepted in the Operating Performance Section of the Quality Control Plan	GTR verification via operational reports generated by the Contractor's tool(s), which the Contractor must certify as accurate and correct	Monthly	98%
7	Maximum abandonment rate for making an inquiry or opening a trouble ticket (i.e., the number or percent of callers who hang up before reaching an agent)	GTR verification via operational reports generated by the Contractor's tool(s), which the Contractor must certify as accurate and correct	Monthly	2%
8	SP Customer Satisfaction is rated high based on caller survey taken after resolution of an inquiry or trouble ticket	GTR verification via operational reports generated by the Contractor's tool(s), which the Contractor must certify as accurate and correct	Monthly	98%
9	Reports are delivered timely and contain accurate data	GTR verification by viewing the date and content of reports posted to the reports folder	Monthly	95%
10	Incident Report documenting Security Breach/Violations	GTR verification via operational reports generated by the Contractor's tool(s), which the Contractor must certify as accurate and correct	Monthly	100% of known or knowable incidents

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10. ADDITIONAL SECURITY AND AUDIT REQUIREMENTS

10.1 Internal Controls and Compliance

The service organization contractor shall establish, document, and maintain internal controls appropriate to the services performed under the contract, including separation of duties, audit logs, reconciliations and other financial controls for cash management and general ledger operations, quality assurance procedures for data integrity, protection of personally identifiable information, authentication of personal identity in transactions with the public, system security, continuity of operations, and system change control. The service organization contractor shall answer inquiries, provide documentation, and give access to facilities in support of HUD's audits and internal control and compliance reviews, including the annual audit of FHA's financial statements, annual reviews of internal controls under OMB Circular A-123, and annual reviews of financial system compliance under OMB Circular A-127.

Federal standards and requirements applicable to the service organization contractor are identified in Table 1.0. The service organization contractor is responsible for maintaining compliance with these standards as they are updated by Congress and the issuing federal agencies. Corresponding and related standards and requirements for HUD program offices are identified in Table 2.0.

10.1.1 Personally Identifiable Information

The contractor shall establish, document, and maintain technical and procedural protections against the release of personally identifiable information. The contractor shall complete a Privacy Impact Assessment annually.

10.1.2 Authentication of Personal Identity

The contractor shall establish, document, and maintain technical and procedural methods to authenticate personal identity in all transactions with the public in accordance with federal e-Authentication regulations. The contractor shall complete an e-Authentication Risk Assessment report annually.

10.1.3 System Security

The contractor shall establish, document, and maintain technical and procedural protections for system security. The contractor shall complete a System Security Plan, an Independent System Test and Evaluation (ST&E), a Security Controls and Assessment Report (SCAR), a Contingency Plan, and Contingency Plan Test Reports. The contractor shall maintain and execute a Plan of Action and Milestones to correct deficiencies identified in the ST&E and SCAR.

10.1.4 Configuration Control

The contractor shall establish, document, and maintain technical and procedural controls to protect systems and system infrastructure from unplanned, unauthorized, or unintended changes. The contract shall prepare and maintain a Configuration

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Management Plan to include the application, operating software and the Data Center where the service will operate.

10.2 SAS 70 Type II Independent Audit

The contractor shall engage an independent auditor to report annually on the records, quality assurance processes, accounting procedures, and internal controls relating to this contract. HUD's GTR for this contract will approve the contractor's selection of an independent public accounting firm to perform the audit.

The auditor's report shall conform to the Statement of Auditing Standards No. 70 (SAS 70) for Service Organizations published by the American Institute of Certified Public Accountants. The auditors shall conduct a Type II SAS 70 audit. The contractor shall provide the auditor with access to all systems, facilities, information and people required perform the audit.

The control objectives of the audit shall be at a minimum, equivalent to those required under the General Accounting Office Federal Information Systems Computer Audit Manual (FISCAM) for performing all work. The procedures and report shall meet the FISCAM requirements and shall include application systems testing. Each review shall follow guidance provided by GAO's Federal Information System Controls Audit Manual and include a corrective action plan. The control objectives shall include controls affecting all major HECM servicing functions to include premium collections, notes servicing, and disposition of HECM notes.

The auditor's first report shall cover operations from start up through June 30th and must be delivered to HUD's GTR by September 15th. The auditor's subsequent annual reports must cover the 12 month period ending June 30th and must be delivered to HUD's GTR by September 15th of each year.

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Table 1.0 System Security, Privacy, and Authentication Requirements and Internal Control Reviews Applicable to Service Organizations Performing Outsourced HUD Financial Management Functions

Requirement	Reference	Deliverable	Frequency	Responsibility
Internal Controls Assessment	OMB Circular A-123, Management's Responsibility for Internal Control	A-123 Self-Assessment	Annually	Service Organization Contractor Assists with Information, Documents, and Access to Facilities
Review of Business Process Controls	Statement on Auditing Standards No. 70 (SAS 70), Service Organizations	SAS 70 Type II independent audit	Annually	An Independent Auditor Hired by the Service Organization Contractor
Financial Management System Assessment	OMB Circular A-127, Financial Management Systems	A-127 Self-Assessment	Annually	Service Organization Contractor Assists with Information, Documents, and Access to Facilities
Security Assessment	Federal Security Standard: NIST Special Publication 800-53 Revision 1, HUD Handbook 2400.25 Information Technology Security Policy	Report on Selected Controls	Annually	Service Organization Contractor

Table 1.0 System Security, Privacy, and Authentication Requirements and Internal Control Reviews Applicable to Service Organizations Performing Outsourced HUD Financial Management Functions

Requirement	Reference	Deliverable	Frequency	Responsibility
System Security Plan	Federal Security Standard: NIST Special Publication 800-18 Revision 1, HUD Handbook 2400.25 Information Technology Security Policy	System Security Plan	Start Up, with Updates at Least Annually, and Whenever Security Processes and Procedures Change	Service Organization Contractor
System Test and Evaluation (ST&E)	Federal Security Standard: NIST Special Publications 800-37, 800-53, 800-53a HUD Handbook 2400.25, Information Technology Security Policy, and HUD C&A Methodology Guide.	Independent System Test and Evaluation (ST&E); Security Controls Assessment Report (SCAR);	Start Up, and at Least Every Three Years Thereafter	An Independent Evaluator Hired by the Service Organization Contractor
Remedial Plans to Address Deficiencies Identified in the ST&E	Federal Security Standard: NIST Special Publications 800-37, 800-53, 800-53a HUD Handbook 2400.25, Information Technology Security Policy, and HUD C&A Methodology Guide.	Plan of Action and Milestones (POA&M)	Quarterly	Service Organization Contractor
Continuity of Operations	Federal Security Standard: NIST Special Publication 800-34, HUD Handbook 2400.25 Information Technology Security Policy	Contingency Plan; Contingency Plan Test	Start Up, with Updates Annually	Service Organization Contractor
Security Self-Assessment	Federal Security Standard: NIST Special Publication 800-26, 800-53, 800-53a HUD Handbook 2400.25 Information Technology Security Policy	Self-Assessment	Annually	Service Organization Contractor

Table 1.0 System Security, Privacy, and Authentication Requirements and Internal Control Reviews Applicable to Service Organizations Performing Outsourced HUD Financial Management Functions

Requirement	Reference	Deliverable	Frequency	Responsibility
Memorandums of Understanding and Interconnectivity Security Agreements	Federal Security Standard: NIST Special Publication 800-47, HUD Handbook 2400.25 Information Technology Security Policy	MOU or Equivalent	Start Up, and Whenever Interconnection Processes and Procedures Change	Service Organization Contractor Assists with Information and Documentation
Penetration Testing	Federal Security Standard: NIST Special Publications 800–41, 800–42, 800–44, HUD Handbook 2400.25 Information Technology Security Policy	Penetration Test Report	Annually	Service Organization Contractor
IT Security Training services	Federal Security Standard: NIST Special Publication 800 – 16, OMB Memorandums M06-15 and M06-16, HUD Handbook 2400.25 Information Technology Security Policies and the Federal Information Security Management Act (FISMA), Public Law 107-347.	Training	Annually	Service Organization Contractor
Privacy Act	Federal Privacy Standard: The Privacy Act of 1974 HUD Handbook 1325.01 REV-01, Privacy Act Handbook	Records of Release of Information and Procedures for Correction and Data Quality Assurance	Continuous Operation	Service Organization Contractor
Privacy Act	Federal Privacy Standard: The Privacy Act of 1974 HUD Handbook 1325.01 REV-01, Privacy Act Handbook	Technical and Procedural Protections	Continuous Operation	Service Organization Contractor
Privacy Act	Federal Privacy Standard: E-Government Act of 2002, OMB Memorandum 03-22, Privacy Impact Assessment Questionnaire (See http://www.hud.gov/offices/cio/privacy/pia/pia.cfm	Privacy Impact Assessment (PIA) Questionnaire	Start Up, with Updates Annually	Service Organization Contractor

Table 1.0 System Security, Privacy, and Authentication Requirements and Internal Control Reviews
Applicable to Service Organizations Performing Outsourced HUD Financial Management Functions

Requirement	Reference	Deliverable	Frequency	Responsibility
E-Authentication	Federal Authentication Standard: OMB Memorandum M-04-4, NIST Special Publication 800-30, HUD Handbook 2400.25 Information Technology Security Policy	Identity verification or authentication for public access	Continuous Operation	Service Organization Contractor
Memorandums of Understanding and Interconnectivity Security Agreements	Federal Security Standard: NIST Special Publication 800-47, HUD Handbook 2400.25 Information Technology Security Policy	MOU or Equivalent	Start Up, and Whenever Interconnection Processes and Procedures Change	Service Organization Contractor Assists with Information and Documentation
Configuration Controls	HUD Configuration Control Standard: HUD Handbook 2400.25 Ver-1, ADP/Information Security Program Handbook	Configuration Management Plan	Start Up, and Whenever Configuration Processes and Procedures Change	Service Organization Contractor

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Table 1.0 System Security, Privacy, and Authentication Requirements and Internal Control Reviews Applicable to Service Organizations Performing Outsourced HUD Financial Management Functions

Requirement	Reference	Deliverable	Frequency	Responsibility
Internal Controls Assessment	OMB Circular A-123, Management's Responsibility for Internal Control	A-123 Self-Assessment	Annually	HUD Program Office, with Assistance from Service Organization Contractor
Financial Management System Assessment	OMB Circular A-127, Financial Management Systems	A-127 Self-Assessment	Annually	HUD Program Office, with Assistance from Service Organization Contractor
Security Categorization	Federal Security Standard: NIST Special Publication 800-60, FIPS 199, HUD Handbook 2400.25 Information Technology Security Policy	Rating (High, Medium, Low) for Confidentiality, Integrity, and Availability	At System Start Up	HUD Program Office
Business Impact Assessment	Federal Security Standard: NIST Special Publication 800-34, HUD Handbook 2400.25 Information Technology Security Policy	Business Impact Assessment	Start Up, with Updates Annually	HUD Program Officer
Risk Assessment	Federal Security Standard: NIST Special Publication 800-30, HUD Handbook 2400.25 Information Technology Security Policy	Risk Assessment and Risk Management Plan	Start Up, with Updates Annually	HUD Program Office
Certification and Accreditation (C&A)	Federal Security Standards: NIST Special Publications 800-37, 800-53, 800-53a HUD Handbook 2400.25, Information Technology Security Policy, and HUD C&A Methodology Guide	Memorandum by the Assistant Secretary Accepting the System for Operation	Start Up, and at Least Every Three Years Thereafter	HUD Program Office

Table 1.0 System Security, Privacy, and Authentication Requirements and Internal Control Reviews Applicable to Service Organizations Performing Outsourced HUD Financial Management Functions

Requirement	Reference	Deliverable	Frequency	Responsibility
Memorandums of Understanding and Interconnectivity Security Agreements	Federal Security Standard: NIST Special Publication 800-47, HUD Handbook 2400.25 Information Technology Security Policy	MOU or Equivalent	Start Up, and Whenever Interconnection Processes and Procedures Change	HUD Program Office, with Assistance from Service Organization Contractor
IT Security Training services	Federal Security Standard: NIST Special Publication 800–16, OMB Memorandums M06-15 and M06-16, HUD Handbook 2400.25 Information Technology Security Policies and the Federal Information Security Management Act (FISMA), Public Law 107-347.	Training	Annually	HUD Program Office
Privacy Act	Federal Privacy Standard: The Privacy Act of 1974 HUD Handbook 1325.01 REV-01, Privacy Act Handbook	Notice of System of Record	Start Up, and Whenever the Use of Personally Identifiable Information Changes	HUD Program Office
E-Authentication	Federal Authentication Standard: OMB Memorandum M-04-4, NIST Special Publication 800-30, HUD Handbook 2400.25 Information Technology Security Policy	E-Authentication Risk Assessment Report	Start Up, and Annually	HUD Program Office

Table 1.0 System Security, Privacy, and Authentication Requirements and Internal Control Reviews

Applicable to Service Organizations Performing Outsourced HUD Financial Management Functions